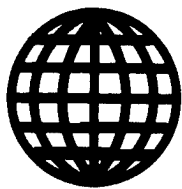


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FINANCE, BANKING

Fund-Raising for Three Gorges Project

93CE0478A Beijing JINRONG SHIBAO in Chinese
13 Apr 93 p 1

[Article by staff reporters Song Fuliang and Cheng Lifu: "How To Raise the Huge Investment Funds for the Three Gorges Project?—The Three Gorges Construction Bank Claims That There Are Guaranteed Sources, as Funds Can Be Raised Through Five Channels"]

[Text] The Three Gorges Project is the largest construction project ever undertaken in China since the founding of the PRC. At present, the static investment is planned to amount to 57 billion yuan (calculated on the basis of 1990 prices). The early-phase preparatory work is now proceeding in an accelerated manner. The Three Gorges Project is a focus of national attention, and the issue of funds needed by the Three Gorges Project is arousing even more attention. How economically capable is the nation of bearing the burden resulting from such a huge investment? Where would the construction funds come from? What channels does the state plan to use for raising the funds? With those questions in mind, on 9 April, these two reporters interviewed Xu Xiangshen, director of the Special Three Gorges Project Branch of the Construction Bank, who is responsible for raising and managing the funds for the project.

Director Xu was rather talkative, and confidently told the reporters: There are guaranteed sources of construction funds for the Three Gorges Project. We have adequate financial capabilities to bear the burden involved. Since the establishment of the Three Gorges Branch of the Construction Bank, we and the General Corporation of Development of the Three Gorges Project—which will shoulder the main responsibility for completing the project—have jointly studied plans of fund raising, and analyzed the static investment in the amount of 57 billion yuan and the related dynamic changes. We believe that as the Three Gorges Project is China's own construction project, fund raising should be mainly based on domestic sources. In view of the state of development of the national economy and the overall capabilities of China, if only we can generate enthusiasm on the part of all social sectors, formulate practical policy measures, and give full play to the overall strengths and capacities of the financial institutions, we are entirely capable of, and have all the necessary conditions for, providing the funds necessary to the completion of the project. There are five domestic fund-raising channels in China:

1. Establish the Three Gorges Project construction fund which will be the main channel used for raising funds for the Three Gorges Project. The operation of this fund includes the following aspects:

First, since the beginning of 1992, the price of 1 kilowatt-hour of electricity is 0.3 cents higher than previously; the funds thus generated are to be used specifically as funds

for the Three Gorges Project. We can calculate the impact of this price rise. In 1992, 747 billion kilowatt-hours of electricity was generated nationwide. However, the price rise would not be applied, for the time being, to the use of electricity for agricultural irrigation purposes in the poverty-stricken regions under the state's poverty-alleviation policies, to the self-contained electricity grids built and managed by counties or sub-county areas with their own funds, or to the Autonomous Region of Tibet. Even so, each year we can still raise 1.5 billion yuan through this rise in electricity price. In terms of dynamic changes, the installed electricity-generating capacity of China increases by 10 million kilowatt-hours each year. Installed capacity increased by 12.23 million kilowatt-hours last year, and is expected to increase by 11.4 million kilowatt-hours this year. Thus, on average, around 2 billion yuan in construction funds can be raised each year.

Second, the giving back of the profits of the Gezhouba Power Plant handed over to the fiscal authorities. In addition, from 1993 onwards, the price of electricity generated by the Gezhouba Power Plant will increase by 1 cent each year over the preceding year, and will increase by 8 cents in 1986. In this way, 700 million yuan can be raised.

Third, during the period of construction, revenues resulting from the electricity generated by the Three Gorges Power Station will all be used as funds for the Three Gorges Project. From the ninth through the eighteenth year, with the operation of the first generating set and with the other generating sets being put into operation successively, the power station can be expected to generate a total of 430 billion kilowatt-hours of electricity, resulting in 40 billion yuan in revenue. This will be the fund's main source of funds, and will account for 30.8 percent of the total amount of funds and 93.5 percent of the amount of debt repaid.

2. Funds specifically appropriated by the state. Each year the state fiscal authorities will appropriate 200 million yuan for the transfer of the population of the reservoir area, the construction of irrigation facilities, flood prevention, and the draining of flood water.

3. While giving play to the Construction Bank's role as the agency in charge (the Construction Bank issues loans totalling 1 billion yuan each year), give play to the integrated finance-related strengths and capacities of the specialized banks, commercial banks and nonbank financial institutions. Promote solidarity and coordination. Arrange syndicate loans, so as to secure long- and medium-term loans for the Three Gorges Project.

4. If necessary, issue Three Gorges Project shares and construction bonds to social organizations and individuals at home in a planned, step-by-step manner.

5. Domestic contributions.

Xu Xiangshen then changed his subject, and said: The Three Gorges Project has attracted worldwide attention,

and has great significance. Surely, we do not rule out the use of foreign investment. We are actively seeking loans from foreign governments as well as from overseas banking and financial groups; we are issuing Type B shares and bonds to overseas buyers, and securing overseas contributions, etc. Nevertheless, those overseas funds would only account for less than 10 percent of the total sum of funds for the project; over 90 percent of the funds will be raised by us through the five major channels. From the confident smile on Xu Xiangshen's handsome face, the reporters saw good prospects for the Three Gorges Project.

FOREIGN TRADE, INVESTMENT

Increased Anti-Dumping Cases Reasons, Solutions

93CE0429B Beijing GUOJI JINGMAO XIAOXI
[INTERNATIONAL TRADE NEWS] in Chinese
13 Mar 93 p 3

[Article by Ji Tao: "Measures for Dealing With International Anti-Dumping Tidal Waves"]

[Text] Just after New Year, there came two pieces of bad news about the international market. On 27 January, the U.S. Commerce Department announced the imposition of punitive customs duties on steel products imported from nineteen countries including the United Kingdom, France, Japan, and China. The duties will range from 1 percent to 109 percent, with an average of 27 percent, and will involve imported steel worth around US\$3 billion each year. On January 29, the Japanese Government announced the imposition of anti-dumping duties of 4.5-27.2 percent on silicon-manganese-iron alloy produced in China, beginning 3 February 1993. All this has ushered in the 1993 international anti-dumping tidal waves.

Since the beginning of the 1990's, with the continual expansion of Chinese export and with the development of trade protectionism in the world, the number of anti-dumping cases against China has markedly increased. In 1991, cases were filed with regard to the investigation on as many as 22 Chinese products. Foreign countries's rulings on anti-dumping cases against Chinese products resulted in the imposition of anti-dumping duties on 12 products, the imposition of minimum prices for three products, and the exemption from duties for five products.

The imposition of anti-dumping duties affects Chinese exports worth over US\$500 million. Some products had to be withdrawn from the markets of the importing countries. Such a situation directly threatens China's export trade.

The causes of the international anti-dumping tidal waves are multi-faceted. The first is the growth of trade protectionism in the world. Since the beginning of the 1990's, the United States, Western Europe and Japan have, one after another, come under severe economic recession,

with unemployment rates remaining high. In 1992, the average unemployment rate was over 7 percent for the United States, around 7.5 percent for Germany, and 10.4 percent for France. The governments of these countries adopted a series of import-restricting measures in order to reduce unemployment. The second is the rapid growth of China's export. At the time when the Western developed countries are mired in economic recession, China has maintained a rather high rate of growth, with export growing fast. In 1992, the total volume of China's import and export reached US\$165.63 billion, an increase of 22.1 percent over the year before. Of that amount, export accounted for US\$85 billion, representing an increase of 18.3 percent over the year before. The rapid growth of export led to a rapid increase in the supply of goods, thereby further lowering the prices for exports. For instance, in 1989 China's silicon-manganese-iron alloy exported to Japan had a share of 17 percent of the Japanese market, with a price of around US\$850 per ton. In 1991 its share of the Japanese market rose to 39 percent, while the price for the export fell to US\$450 per ton, representing nearly an one-half decrease. Thirdly, there are some problems in the orientation of the export policies. Presently, the state still maintains the contract system of foreign trade. The governments of the provinces, municipalities, and autonomous regions, the headquarters of specialized import and export corporations, and other foreign trade enterprises would, as contracting units, conclude contracts with the state on the three targets of total volume of trade, the amount of foreign exchange obtained from export, and the amount of foreign exchange to be handed over to the center. Under this system, in order to reach those targets, the localities and enterprises cannot but try every means to expand export, and would thus compete in lowering export prices. As a result, the sense of the interests of the nation as a whole has been weakened. As the above-mentioned three targets are inflexible, the foreign exchange target can thus only be reached through increasing the quantity of export after the prices have been lowered. The increase in supply in turn leads to the further fall of export prices, resulting in a vicious cycle. The retention of foreign exchanges then further enhances the tendencies to disregard cost and cost-effectiveness, while paying attention to the generating of foreign exchanges only. Surely, while improving the competitiveness of exports, the recent two rounds of large adjustment of exchange rates also, objectively, gave further momentum to the falling of prices, thereby handing to others materials for justifying dumping charges. The fourth is the over-concentration of market. For example, silicon-manganese-iron alloy is mainly exported to Japan, and has a strong dependence on export market. Undiversified market and large supplies inevitably result in prices being too low, leading to charges of dumping. Especially, when the importing country is in an economic slump, with market demand reduced, there would be no room for maneuvering, and export would also be greatly reduced. The fifth is the lack of business strategies on the part of enterprises. Enterprises are economic entities, and their purpose is to

achieve economic efficiency under the precondition of safeguarding the interest of the state and society. Regrettably, in efforts to generate foreign exchanges, some enterprises consider neither the overall national interest nor economic efficiency, with the entire focus being placed on dumping at low prices. Generally speaking, the purpose of the low-price strategy as a way of getting into the market and conducting competition is to expand market share while improving economic efficiency. The tactic for using the strategy should first be low and then high, and the price levels should be flexible and determined according to market demand. The all-out dumping at low prices without considering tactics will often incur retaliations from the importing countries.

China will return to the GATT this year. With the lowering of tariffs and with reduction in the number of licenses, there will inevitably come a short period of "import shock," resulting in an unfavorable balance of international payments. Therefore it is necessary to expand export in an effort to balance import with export, ensuring equilibrium with regard to balance of international payments. At present, it is necessary to look for solutions to the anti-dumping problem by putting forward effective measures.

Dumping refers to selling goods on the market at prices below the market prices or below cost. Dumping caused by just lowering the prices for goods is in the category of goods dumping, a conduct of enterprises. Dumping caused by exchange rate adjustments is in the category of foreign exchange dumping, a government conduct which is part of government policy for encouraging export. There are basically three types of goods dumping. The first is sporadic dumping. This usually occurs when enterprises sell some goods at low prices for clearance purposes, and would last a short time. The second is intermittent dumping. Enterprises would first sell goods at low prices in order to get into or occupy the market, and then raise prices. This is a marketing strategy often used in business operations of enterprises. The third is chronic dumping. This usually occurs when the government adopts a policy of low price and high exchange rate, resulting in overly low prices for factors of production which would in turn result in overly low prices for goods. China's goods dumping is mainly in the category of chronic dumping. As China has long been following a policy of low price and low income, and as, in addition, the exchange rates have been raised in the recent years, the prices for such factors of production as means of production and labor have always been on the low side. The prices of resource-based goods for export and labor-intensive goods for export are not only lower than those of developed countries, but lower than even those of developing countries. This is the main factor contributing to the strong competitiveness of China's exports.

However, goods dumping cannot be used completely at will. Intermittent dumping and chronic dumping in particular are affected by international market demand. In general, the precondition for dumping is the existence of full elasticity in international market demand. That is,

the change rate of international market demand has to be higher than the change rate of prices, in order to ensure that a slight fall in prices can lead to large increases in export. On the other hand, when the elasticity in international market demand is small or nonexistent, lowering prices of goods will not only fail to increase, but reduce, export revenues. Therefore, low-price dumping is not applicable to all goods. It is necessary to formulate different price strategies for different goods.

Both the government and enterprises should give sufficient attention to the international anti-dumping tidal waves. Otherwise, with China's return to the GATT, even more countries will invoke the anti-dumping clauses of Article 6 and the clauses on emergency measures against certain products in Article 19 of the GATT, and impose anti-dumping duties on China. Thus, first, the government's mechanisms for the regulation and control of export should change into efficiency-oriented. In the past dozen years of reform, in order to import the machinery, equipments and technology necessary for the development of the national economy, a quantity-based model for accumulating foreign exchanges has been used. That is, foreign exchanges are accumulated through low-price dumping. This practice was necessary in the takeoff stage of economic development. To accumulate foreign exchanges, Japan also stirred up an export tidal wave of "dollar shirts" in the 1950's. However, after a dozen years of development, China has acquired substantial export capabilities. In 1992, China's volume of export was the eleventh largest in the world, and China had over US\$20 billion in its foreign exchange reserves. The "import bottleneck" has been loosened. China should change its model for foreign exchange accumulation into an efficiency-oriented one in order to meet the needs of the times, exporting products with high rates of value addition instead of those with low rates of value addition or those sold below cost. While maintaining relative stability in exchange rates, the state should maintain the necessary tightness in the regulation and control over exports. It should change the regulation and control methods from those based on such administrative means as export quota and export price restrictions into mainly based on economic means. It should be market- and efficiency-oriented, and gradually abolish the foreign exchange contract system. The localities should maintain, by themselves, a balanced situation regarding foreign exchanges. Enterprises should be responsible for their own profits and losses. With regard to foreign exchange retention, it is necessary to set an average cost level for generating foreign exchange through exporting. When costs are above the set level, enterprises would retain no foreign exchange. When costs are below the set level, enterprises could increase their retention in terms of share of the total.

Second, export production should be the intensive type. An advantage of modern production is the efficiency of scale production. Export enterprises must have such characteristics as large volume, low cost, and high efficiency. Some small enterprises are currently high

in cost but low in output, but they should not try to expand export by using illegitimate methods to crowd out large- and medium-sized state enterprises. The state should adopt some measures to assist large- and medium-sized enterprises in such capital- and technology-intensive sectors as metallurgical and chemical industries in their export efforts, in order to ensure product quality, price stability, and export growth.

Third, form export groups. Forming export groups refers to coordinating enterprises producing the same products through the use of restraints of some form, so as to ensure the stability in the production and price of goods for export, thereby safeguarding the overall interests of the nation and enterprises. At present, the export associations for some major products are playing a positive role in this regard. But export associations do not have administrative regulatory competence, and also lack effective economic means for regulating. Therefore, all the export enterprises in a sector can form a loose organization—export group, with export associations as the leaders and with large- and medium-sized state enterprises as the backbones. Such export groups are not enterprise groups. They would only be concerned with the export policies of a given sector, but would not involve any supervisor-subordinate relations or domestic marketing. The method is to set a relatively stable, uniform export price. Some funds, either gathered by enterprises or allocated by the state, would serve as stabilization funds. When international market demand rises above the level required by the uniform export price, the funds can be used to expand domestic production so as to increase export. When international market demand falls below the level required by the uniform export price, the funds can be used to purchase surplus products at home, so as to protect domestic production.

The fourth is market diversification. Currently, Hong Kong, Macao, Japan, the United States and the European Community are the main markets for China. The export market for a product tends to be concentrated. For instance, Japan is the main market for silicon-manganese-iron alloy exports. Having undiversified, concentrated market is a situation prone to be affected by the economic disturbances of the importing countries. At the same time, having undiversified market results in occupying a disadvantageous position in competition. Therefore, it is necessary to pay attention to exploring new export market to achieve market diversification.

The fifth is to upgrade products. Generating foreign exchanges through exporting is affected by two factors. One is the quantity of export, and the other is the price and grade of the goods for export. At present, our exports, especially those labor-intensive ones, are mostly of low grade. In the case of shoe exports, the average price is US\$17.50 for a pair of Spanish shoes, but only US\$2.50 for a pair of our shoes. Thus, when the inputs of factors of production are similar, the foreign exchange generating rate of Chinese shoes would be only one-seventh of that of Spanish shoes. China must export seven times as many shoes as the Spanish do in order to

earn the same amount of foreign exchange. More importantly, low-price export is prone to incur retaliations from the importing countries. Therefore, the most effective, practical strategy Chinese enterprises can have for dealing with anti-dumping problems is to upgrade products.

The sixth is to use business strategies. The market changes, and business also changes. Change is a permanent feature of both the market and business. In general, when a product is in the early stage of entering the market, it is correct to adopt a low-price strategy so as to expand market share. But, when, with the increase of market share, a market share of 30-40 percent is achieved, and when the capacity to affect supply and demand and dictate price has been achieved, it is necessary to control the quantity of export at appropriate times, so as to raise prices through reducing supply. Gradually accomplish the transformation from expanding market share to improving efficiency. Surely, this would require coordination among the government, chambers of commerce, and enterprises. But, this is achievable. And this will also be a test for Chinese entrepreneurs.

The state should now train a group of people who, after the training, should have good foreign language foundations and be conversant with international business and international law. Those people can then carefully study the laws of the relevant importing countries and participate in the handling of relevant anti-dumping cases in order to safeguard the interests of Chinese enterprises with legal means.

POPULATION

Jiangxi Governor on Concrete Birth Control Measures

93CE0488B Beijing ZHONGGUO RENKOU BAO
in Chinese 14 Apr 93 p 1

[Article by Jiangxi Governor Wu Guanzheng (0702 1351 2973): "Party and Government Leaders Must Personally Grasp One Up and One Down in Pursuit of the Comfortable Life"]

[Excerpt] [Passage omitted] In the past two years, the family planning rate has gone up by 27.23 percentage points and the birthrate has fallen by 5.06 births per thousand, giving birth to 280,000 fewer people.

I. The Principle Effort of Provincial Family Planning Is Controlling the Excessively Fast Rural Population Growth

Jiangxi is a province in which the rural economy makes up a rather large share. The rural population makes up more than 80 percent of the population of the province. In 1990 the rural birthrate was 35.02 per thousand, 22.52 points per thousand higher than the urban, and the countryside made up 84.8 percent of new births. Faced

with this grim situation, we deeply recognize that the key to the province's family planning is in the countryside. The difficulty is in the countryside and the hope and potential for lowering the provincial birthrate also are in the countryside. If we do not strictly control excessive rural population growth, not only is there no way to change the backward provincial family planning situation, but also it will seriously affect the realization of the goal of a comfortable life. So, in April 1991, the provincial party committee and the provincial government convened a meeting of local, city, and county party secretaries from the entire province to conduct a special study of the issue of enhancing family planning and explicitly proposed the "crux" of relentlessly grasping "one up and one down" (make the economy go up and make the excessively fast population growth rate go down) in pursuit of the comfortable life. At the same time, they determined that the principle task in improving provincial family planning was strictly controlling the excessively fast rural population growth. By assigning rural party and government leaders personal responsibility for family planning, the countryside's family planning becomes an important part of the arrangement and disposition of the overall plan and the two kinds of production (material production and production of population) are grasped together. By conscientiously assigning planned parenthood duties at the same time that agricultural production and rural economic development duties are assigned, and examining and assessing the situation in each rural locality, not only must we look at the growth rate of agriculture and rural economic development, we also must look at the decline in the birthrate and the improvement in the planned parenthood rate. Not only must we look at increases in the indices for the total volume of production, but we also must look at changes in the per capita indices. Two years of practical experience has indicated that the results from this are good. In 1992 the rural birthrate had fallen to 20.45 per thousand, falling 14.57 births per thousand from 1990. This has played an important part in promoting an obvious decline in the birthrate of the entire province.

II. The Burden of Controlling Excessively Fast Population Increases Falls on the Shoulders of the Principal Party and Government Leaders

Planned parenthood has broad involvement and is a heavy and very difficult task. To improve the leadership in this task, the provincial party committee and provincial government have explicitly demanded that party committees and governments at every level put this essential state policy on their agendas. Party committees and governments at every level must take total personal responsibility and implement a linked system of party and government leaders. In 1992 the provincial party committee and provincial government decided to organize four secretaries and deputy secretaries, two standing committee members, and one vice governor as liaisons to the provincial family planning party committee for localities and cities with large populations and great

difficulty in family planning with common responsibility for the regions with which they are linked to improve the responsibility system for administering family planning goals. The provincial party committee and the provincial government have stipulated that none of the party or government leaders who have not fulfilled the population goal responsibilities assigned to them during their terms will receive awards, top evaluations, and promotions; and localities and units that have not fulfilled their population control goals generally will not receive top evaluations for participation in economic activities and overall activities. We must seriously look into the responsibility of principal leaders and people concerned for fraud in family planning efforts.

III. The Key To Controlling Excessively Fast Rural Population Growth Is Striving To Increase the Family Planning Rate

Jiangxi Province has had excessively fast rural population growth mainly because of the high multiple child rate and the low rate of family planning. So, the key to improving rural family planning is for us to lower the rate of multiple children and raise the family planning rate.

The first thing is to extensively and thoroughly publicize the Jiangxi Family Planning Regulations in the vast countryside and put forth a great effort to encourage each couple to produce only one child, strictly control two births, and resolutely put an end to multiple births, and curb early marriage and early childbearing.

The second thing is to distinguish different situations and direct by category. Based on the disparity among the family planning efforts of various localities throughout the province, we should divide the administration of rural family planning into three categories and make different demands of each. We should require that regions where efforts are essentially rather good raise their family planning rates to 90 percent or more in the Eighth Five-Year Plan; regions in the second category in the middle to raise their rates to 85 percent or more; and regions in the third category with efforts that are essentially rather lacking to raise their rates to 80 percent or more.

The third thing is to put forth a great effort to rectify child bearing and vigorously promote the childbearing policy and make technical services reach the mark. Every locality, with leadership organizations and leading cadres taking charge, each level taking charge of that level, in accordance with policy and regulations should strictly put the situation in order by household, by person, and by item. Each year based on the agricultural seasons, they should plan and organize concentrated spring, summer, fall, and winter publicity and technical service activities. In 1992 the birth control rate for women of marriage and childbearing age reached 87.7 percent.

The fourth thing is to include family planning in the overall plan and the overall allocation for rural activities

to integrate family planning with agricultural production and rural economic development; with socialist ideological education; with the establishment of rural civilized units, civilized villages, and civilized households; with rural mother and child care and excellent child bearing; and with development of support for the poor in old areas.

IV. Conscientiously Improve the Fundamental Development of Family Planning

To gradually accomplish the goal of transforming management after conception to management before conception and from passive crash management to taking the initiative in regular management, while putting forth a great effort to do a good job of handling crash concentrated technical service activities, we should enhance fundamental grassroots development.

First, we should conscientiously improve grassroots family planning organizations at the township and village level. In socialist educational activities, it is necessary that development of township and village grassroots family planning organizations be part of the development of rural grassroots organizations and come under unified consideration and planning. In the establishment of a service network, up to the end of last year, all counties and districts throughout the province had established family planning service centers, 82 percent of townships and towns had established family planning service places, and 42 percent of villages had completed family planning service rooms.

Second, we should constantly improve family planning organizations and contingents. Beginning with the trial reform of county organizations in the last half of last year, the provincial party committee and provincial government explicitly stipulated that the stability of family planning organizations must be maintained. They could only be strengthened, they could not be weakened.

Third, we should stress investment in family planning. The provincial party committee and provincial government have several times clearly proposed that while treasuries at every level must increase their revenue, they should gradually increase family planning expenditures. In the Eighth Five-Year Plan, it should reach 2 yuan per person. [passage omitted]

Editorial Stresses Planned Reproduction

93CE0488A Beijing ZHONGGUO RENKOU BAO
in Chinese 12 Apr 93 p 1

[Editorial: "Reproduction Definitely Cannot Be Allowed To Go Unchecked"]

[Excerpt] [Passage omitted] To realize established population control norms, governments at every level still must perform their macrocontrol functions and every locality and every unit throughout the country must strictly implement the planned parenthood policy and

accomplish the population plan. They all must conscientiously carry out "grasping the two kinds of production together," that is if we are determined to improve the economy, we must also be determined to further lower the birthrate. This is the historical mission conferred on us by the times.

Some people believe that "as the economy improves, the population will naturally go down" and "China's population growth already is essentially under control, so there is no use in expending a great deal more effort to control it." These beliefs and ways of thinking are distorted and do not conform to China's national situation. China's national situation is different from that of developed Western nations. If we wait for economic development to cause a natural decline in the birthrate, we could miss our chance and lose control of the population, affecting economic development and harming the normal development of population itself. Especially now when family planning in the vast majority of China's rural localities still lacks a firm foundation, there still are quite a few backward aspects. Although urban population growth is under control, in the new situation it still is rather difficult to consolidate and develop results. In this grim population situation, if we want to truly carry out family planning, we still must continue to put forth arduous efforts. Only if we strengthen leadership, take appropriate measures, and trust in and rely on the masses, can we effectively control population growth under rather depressed economic and educational circumstances. This is a reflection of the superiority and the political advantage of China's socialist system.

There also is the view that the reason that China must carry out family planning is because in the past we had a planned economy. Now with the establishment of the socialist market economy system, the labor force will enter the market and reproduction also can be regulated by the market. This also is a confused belief.

Just as it was described above, China's conducting family planning is an objective requirement of China's socialist modernization and a necessary requirement spurring on the coordination of population with the development and good operation of the economy. Establishing the socialist market economy system is to make the market under state macroeconomic control perform the basic function of distributing resources. At the same time, we should be aware that market adjustment is by no means omnipotent. It also has its own weaknesses and negative aspects. Even with the establishment of the market economy system, the state still must formulate the national economic and social development plan and continue to strengthen and perfect macroeconomic control of economic and social development. This is especially true of population development, which is closely connected with economic development. It still is an indispensably important component of the state's long-term program and the national economic development plan.

So, all local party committees and governments must continue to firmly administer the reproductive plan and they definitely cannot let it go unchecked; even more, they cannot let it be regulated by the market.

Problems of Urban Family Planning Work

93CE0488C Beijing ZHONGGUO RENKOU BAO
in Chinese 5 Apr 93 p 3

[Article by Shi Hailong (4258 3189 7893): "Correctly View the New Problems Faced by Urban Family Planning in the New Situation"]

[Excerpts] [Passage omitted] Essentially, the establishment of a socialist market economy system will inevitably greatly accelerate the pace of reform and opening up, greatly promote the further liberation and development of the society's productive forces, and accelerate economic development and social progress, thereby helping to raise the people's living standards, helping to change people's concepts of marriage and child bearing, helping to lower the birth rate and helping to improve the quality of the population and the quality of families, creating even more favorable conditions for doing a good job of urban family planning. At the same time, we also must look at the new situations and new problems that urban family planning is facing in the new circumstances. [passage omitted]

Reform and opening up have caused the Chinese people to be urbanized faster and urban family planning tasks are becoming more burdensome every day. According to statistics from the Fourth Census, in 1990 there were a total of 456 cities and 9,321 towns throughout the country, an increase of nearly 100 percent and 250 percent, respectively, over the 236 cities and 2,664 towns in 1982. The national urban population in 1990 was 296.51 million, an increase of nearly 100 million in the urban population in the eight years since 1982. According to expert calculations, by the end of this century the share of China's urban population will reach approximately 40 percent. After accelerating reform and opening up and the establishment of the socialist market economy system, the actual growth of the urban population could be even higher than this proportion. The acceleration of the urbanization of the population is an inevitable trend. As far as family planning is concerned, it actually is transferring some rural family planning to the cities, and present urban family planning management and organization will have difficulty adapting to this task that is becoming more arduous every day. [passage omitted]

Reform and opening up and the market economy make the social structure and the labor make up and the distribution of the people in the cities more complicated every day, and migration and the mobility of the population are becoming ever greater, thereby increasing the difficulty of urban family planning. Presently, privately run, joint venture, cooperative venture, and wholly foreign-owned enterprises and individual industrial and

commercial households are numerous, and they are rapidly increasing. The break up of enterprises and the reorganization of enterprises and cities initiating development have created in large groups of enterprises excessive personnel, leading to constant increases in dispersed households, registered, nonexistent households, nonpermanent households, and households without employment. Mobility of the population between cities, between cities and the countryside, and between districts within cities continues to increase. A large number of peasants flood into the cities for employment and to engage in trade. And in special economic zones, newly-formed cities, and economic development zones, outside population taking up temporary residence is gradually becoming the mainstay of urban population. All these things cause a great deal of difficulty for traditional urban family planning administration. [passage omitted]

With the development of the urban economy and culture, people's standard of living and the quality of families are improving. The broad masses are making even higher demands on family planning and good child rearing and good education, and urgently demand that they be provided with contraception as well as the "three goods": scientific knowledge, advanced and improved technical services, and urban family planning services which cannot presently satisfy the demands of the masses. At the same time, there are quite a few deep-rooted problems in urban family planning itself that urgently await solution. [passage omitted]

The development of grassroots urban family planning organizations and work forces cannot keep pace with the demands of the developing situation. With the conversion of enterprise operating mechanisms, the former "vertical" administration of some enterprise family planning is weakened, and urban grassroots have still not been generally strengthened "horizontally." Some urban family planning that formerly had "combined vertical and horizontal" management systems and operating mechanisms have not adapted, causing organizational networks and administration of quite a few local and enterprise family planning to weaken. [passage omitted]

China is a vast country and cities and enterprises are very different in their scope, volume, dispersion, and level of development and very uneven in their number of people, quality, structure, and development, and in the level of their family planning. In several cities with a rather good foundation, family planning management has attained a rather high level and the population has been brought under effective control. But in some cities, and some urban development regions, and combined urban rural zones, the foundation for family planning still is comparatively weak. Current family planning policy is still not very well implemented. [passage omitted]

AGRICULTURE

GATT Effect on Animal, Vegetable Production

93CE0525A Beijing NONGMIN RIBAO in Chinese
2 May 93 p 3

[Article by Feng Xueping and Zhang Jiuan: "Returning to GATT and Animal, Plant Quarantine"]

[Text] After China's return to GATT, many of our trades, such as machinery and electronics industry, textile industry, enterprises engaged in foreign trade, domestic tertiary industry, etc., will face challenges. Naturally, as the primary industry, agriculture is no exception. China is not only an export nation, but also an import nation for agricultural products. As far as China, a major agricultural nation, is concerned, animal and plant quarantine is greatly significant in safeguarding the stable development of the agricultural production and moving agriculture toward the world market.

After China's return to GATT, our tariff rates will be generally lowered. When restrictions, such as customs duties, on China are lifted, various countries will inevitably launch attacks on China's animal and plant quarantine, which restricts or prohibits the import of agricultural products in order to help farming production enter the Chinese market smoothly. Our domestic agricultural department should develop high quality agricultural products and green food, improve their competitiveness on the international market and let Chinese farm produce march toward the world market. In overseeing farm produce entering and leaving the Chinese market, the animal and plant quarantine authorities undertake a sacred task. In order to insure safe production in agriculture, forestry and fishery in China, and help China's high-quality agricultural, pastoral and aquatic products enter the world market, the animal and plant quarantine authorities will confront a new situation after China's return to GATT, and play an even greater role. In accordance with the GATT provisions, the GATT legal frame and the "Agreement on Trade Barriers of Technical Nature," the animal and plant quarantine authorities may rationally adopt restrictive measures to protect China's domestic production in agriculture, forestry and fishery so as to safeguard and promote the development of its high-quality farm products. China's re-entry into GATT is conducive to solving some problems in our economic development. At the same time, it also imposes an even higher demand on our animal and plant quarantine authorities. In order to keep pace with the situation after China's return to GATT, we should work out a series of highly applicable and fairly simple supportive measures, continue to standardize our quarantine technology, strengthen our administration, raise our work efficiency, and make contributions to China's reform and open policy and economic construction. In promoting economic affairs and trading with foreign countries, the animal and plant quarantine authorities may bring into full play their role as follows:

Help China's agricultural products enter the huge world market. As seen from the several rounds of talks before GATT was signed, trade in farm produce is a grey, forbidden zone. Although this situation is somewhat alleviated, developed nations are still looking for ways to push their farm produce to the foreign markets while protecting their own domestic markets. They try to prevent other nations from seizing their own markets and guard against the spread of plant diseases and insect pests. Using the protective measures in GATT's exceptional provisions as an excuse, they often adopt and set harsh technical standards, promulgate strict regulations and establish a certification system for the multitude of names for animal and plant quarantine. Therefore, in addition to their own high quality, China's farm products must rely on the technology and reputation of our animal and plant quarantine authorities in breaking the import restrictions imposed on us by other countries in order to enter the world market. Otherwise, it is impossible to export China's agricultural products. A typical example is the export of Hami melons to Japan. With close Sino-Japanese technical cooperation and the proper certification procedure, the Japanese Government lifted the ban on the import of Hami melons from China. Thus, Hami melons can smoothly enter the Japanese market. Right now, satisfactory results have been attained in carrying out experiments in killing bacteria with rice straw. Restrictions are expected to be lifted soon so that exports to Japan will be made this year. It is on the basis of the reputation of our quarantine authorities that China is able to export animals of many varieties to Japan and other nations. From this point, we realize that we must rely on the fine quarantine technology to break the trade restrictions imposed on us by foreign countries. According to incomplete statistics, there are more than 2,500 nontariff restrictive measures adopted by various nations in the world, indicating a revival of trade protectionism in these countries. In accordance with the EC's plan in unifying the market, various European countries will abolish border quarantine, and carry out their work for animal and plant quarantine in their own places of origin (countries). Thus, the European Economic Community will help various nations in standardizing their measures for animal and plant quarantine, recognize the validity of each other's quarantine system and technology, and join efforts to prevent insect pests. In order to avoid loopholes in carrying out animal and plant quarantine work after unifying the EC market, the European Economic Community will provide supervision over the quarantine systems in various member nations, and solve problems as soon as they surface. However, for nations that are not EC members, animal and plant quarantine remains a requirement before farm products can be imported. In addition, quarantine measures will be strengthened. Otherwise, once contaminated animals or plants enter any EC member nation, they can freely circulate in the 12 EC nations. Currently, the European Economic Community is discussing measures to fortify their external border. Therefore, China's animal and plant quarantine authorities will face an even more grim

situation and play an unreplaceable and greater role in insuring the unrestrained export of our farm products.

Protect domestic agricultural production, and maintain market stability for farm produce. Animal and plant quarantine is aimed at preventing the spread of infectious animal diseases, parasites, dangerous plant diseases, insect pests, weeds, and other harmful bacteria into China, safeguarding production in agriculture, forestry, animal husbandry and fishery and helping people maintain their good health, and promoting economic development with foreign countries. On the basis of the principle laid down by GATT's exceptional provisions, we may work out a set of regulations and technical standards for animal and plant quarantine so as to ban or restrict the import of agricultural products from any district where there is an epidemic. After analyzing the harmfulness of the epidemic and under the condition that it can be controlled by quarantine, we may restrictively import farm products from the district or nation where the epidemic prevails; and achieve the goal of preventing the spread of diseases and promoting economic development and trading in the world by technically coordinating with other nations in the world. Specific measures include the enactment of supportive regulations as a supplement of the quarantine law, the signing of bilateral agreements between one nation and other or legal provisions on quarantine services, and the implementation of two-way quarantine certification system (recognition of quarantine services in places of origin, permits for processing plants, shipping and packing agreements, quarantine certificates and marks.) We must strengthen the certification system among various countries in the world and help our farm products become more competitive. After other countries have lifted bans or restrictions on China's agricultural products, our animal and plant quarantine authorities may make use of its own superiority in technology to effectively inspect and handle our export farm products, and issue valid quarantine certificates which are recognized by other countries so that when our farm products arrive at a foreign port, they will go through less circulation, inspection and approval, and quarantine procedures. Thus, unnecessary expenses for filing applications for approval and charges for quarantine services can be reduced, thus lowering the overall production costs and helping increase market competitiveness of our farm products. The key in establishing the two-way certification system lies in the close cooperation between governments, effective means of quarantine, and the good reputation and high standards in rendering quarantine services.

Potential GATT Impact on Domestic Grain, Oil Prices

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28 Apr 93 p 2

[Unattributed article: "Rise and Fall of Crop Farming—China's Return to GATT"]

[Text] GATT's impact on China's market of agricultural products varies on the basis of the relative value between the world market price and the domestic market price of different farm products and of the demand for imports and exports. Generally speaking, farm products on the international market would have a definite impact on China's domestic market after its return to GATT. However, such an impact will be relatively small as compared with that of China's industry, particularly its processing industry.

No Effect on Domestic Rice Market and Price

Basically China is more than self-sufficient in rice. The domestic price of rice is close to that on the international market. It is obviously lower than the cost, insurance and freight of imported rice and its price of imported rice for domestic delivery. Right now, imported rice is exempted from customs duties. The issue of tax reduction and exemption is nonexistent. Meanwhile, a great portion of China's rice is for domestic consumption, although China produces rice in enormous quantity. The volume of its rice imports and exports is not so large. China imports about 200 to 300 million jin of rice, while exports about 700 to 800 jin of rice each year. Therefore, after China's re-entry into GATT, the international market will become a place in which we readjust the varieties of grain crops. Our return to GATT will not have a large impact on the supply and demand for rice in China.

Possibly Lead to Certain Degree of Wheat Price Drop in China

China's wheat harvest is greatly affected by weather. The output of grain crops varies each year, thus causing wheat price to rise and fall at all times. However, the domestic wheat price is higher than the price on the international market. Therefore, if China returns to GATT, more wheat on the world market will flow into China, dealing blows at our domestic market and limiting our domestic wheat price. For example, the price of imported wheat for domestic delivery is 820 yuan per ton in China between January and July in 1991. The price of third-grade white wheat on the grain wholesale market in Zhengzhou, China, was 860 yuan per ton in average during the same period, 40 yuan higher than that of the imported wheat. If calculations are made on the assumption that the wheat supply on the market be 32 billion kilograms, the total price drop on the domestic wheat market caused by the import of foreign wheat would be 1.28 billion yuan. (The factor of reduced tariff rate is not taken into consideration.) The impact of the price drop will be even greater if the high flouring rate of U.S. wheat is factored in. After China's return to GATT, the price of imported wheat for domestic delivery will be even lower due to reduced tariff rates, making domestic wheat price even harder to come back.

Even Harder Blows to Domestic Edible Vegetable Oil

Even after paying 30 percent customs duties, the price of imported edible oil is still much lower than that on the

domestic market. In 1990, China imported about 4.6 billion jin of palm oil. This amount was reduced to approximately 3.4 billion jin in 1991. After China's re-entry into GATT, the department concerned estimates that the volume of imported edible oil will rise to five to six billion jin. In addition to the imported rapeseed oil, large amounts of imported palm oil will have a comparatively larger impact on China's domestic edible oil market.

Potential GATT Impact on Agricultural Products, Prices

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[Article by Wang Fu (3769 6346), Yu Peiwei (0060 1014 0251), and Zhang Shumiao (1728 2885 8693) of the State Pricing Bureau, Department of Agricultural Prices; Han Jun (7281 0193), editor: "Affect on the Domestic Agricultural Product Market and Prices of "Entry Into GATT" and Some Policy Suggestions"]

[Text] China is now actively striving to have its seat as a signatory to the General Administration on Tariffs and Trade (GATT) restored as quickly as possible. GATT is a multilateral trade agreement with certain binding force subscribed to by a total of more than 100 countries making up approximately 90 percent of world commodity trade. The purpose of the agreement is to create a safe and predictable international trade environment in commercial circles so that a multilateral trade system can promote economic growth and development on a worldwide scale. Restoring China's seat in GATT will inevitably link up China's domestic economy and the international economy and the domestic market and the foreign market more closely. For the production and circulation of China's agricultural products, this is an opportunity and even more a challenge. On the one hand, we can more fully utilize the international market to regulate surpluses and deficiencies, to balance supply and demand, and to optimize the structure. On the other hand, the instability of the international market and the rather strong competitiveness of some agricultural products on the international market also can have a fairly great impact on the domestic market and increase the difficulty of stable domestic agricultural product production, markets, and prices. So, studying the affects that the restoration of China's seat in GATT can have on the prices of China's principal agricultural products and their countermeasures has important practical significance.

I. Comparison of Present International Prices and Domestic Prices of Principal Agricultural Products

(1) Rice. In recent years the price of rice on the international market has fluctuated greatly. In the first half of 1992, the price of rice on Bangkok, Thailand's rather large world market fluctuated between US\$210 and

US\$230 a ton and maintained an average of approximately US\$220. Calculated at a 1:6 exchange rate (the following all are calculated at a 1:6 exchange rate), in renminbi it was 0.66 yuan a *jin*. China mainly imports rice from Thailand. According to data supplied by customs, in 1991 the average cost, insurance, freight (c.i.f.) price of imported rice was US\$285 a ton, 0.855 yuan a *jin* in renminbi. With a 0.3 percent bank finance fee, a 1 percent foreign trade service charge, a 0.3 percent customs service charge, a 0.15 percent commodity inspection fee, a 2.7 percent port construction fee (pier fee), for a total of 4.45 percent, the domestic delivery price was 0.89 yuan a *jin*. In the first half of 1992, the c.i.f. price of imported rice was US\$334 a ton, 1.002 yuan a *jin* in renminbi. With the same 4.45 percent in fees, the domestic delivery price was 1.05 yuan. In the same period, China's domestic market price for premium rice remained between 0.6 yuan and 0.7 yuan, close to the international market price, but clearly lower than the domestic delivery price of imported rice. Now the customs rate on rice is zero.

(2) Wheat. Wheat is one of China's principal agricultural product imports. According to customs statistics, in 1991 a total of approximately 24.7 billion *jin* was imported at an average c.i.f. price of US\$118 a ton, 0.354 yuan a *jin* in renminbi. With 4.45 percent fees added, the domestic delivery price was 0.37 yuan a *jin*. In 1992, because the United States, China's principal trading partner and the world's main wheat producer was attacked by drought and storms, reducing the wheat yield, the import price rose. From January through July, the average c.i.f. price of imported wheat was US\$130 a ton, 0.39 yuan a *jin* in renminbi. With added fees, the domestic delivery price was 0.41 yuan a *jin*. China's Zhengzhou Wholesale Cereals Market price for grade three white wheat remained at approximately 0.43 yuan in 1992, a little higher than the foreign trade delivery price. Considering that the quality of the U.S. wheat is better and the flour output rate is seven to eight percentage points higher than domestically produced wheat, judging from the first half of 1992, the price of Chinese wheat is on average approximately 0.04 yuan a *jin*, about 10 percent, higher than the domestic delivery price of imported wheat. But 1992 was a peculiar year. There was a bumper harvest of domestic wheat and the price fell, but the price on the international market rose because the United States was hit with disaster. Under normal circumstances, the price of domestic wheat would be even higher compared to the price of imported wheat.

(3) Edible Vegetable Oils. China imports a large amount of edible vegetable oil, or palm oil, from Malaysia. In 1991 the Malaysian market price was approximately US\$336 a ton, 1.008 yuan a *jin* in renminbi. China's c.i.f. price was approximately US\$472 a ton, 1.416 yuan a *jin* in renminbi. With 30 percent tariff and 4.45 percent fees added, China's domestic delivery price was 1.90 yuan a *jin*. Since 1992 world palm oil prices have risen somewhat and the Malaysian market price is approximately US\$394.80 a ton, 1.184 yuan a *jin* in renminbi. The

price of palm oil on the European market is higher, approximately US\$400 a ton, 1.2 yuan a *jin* in renminbi. China does not produce palm oil, but the domestic price of rape oil, which is comparable, is approximately 2.2 yuan a *jin*, higher than the c.i.f. import price and the domestic delivery price and even higher compared to palm oil prices on the international market.

(4) **Cotton.** Cotton prices fluctuate greatly on the international market. In 1989 and 1990, pure cotton clothing and goods were popular throughout the world, cotton supply tended to be tight, and prices rose and the international price was higher than the domestic price. Since 1990 and 1991, world cotton production has greatly increased and gross output reached a record 20.1 million tons. Added to the previous year's cotton reserves, the total cotton supply reached 26.3 million tons. At the end of 1991, the price had fallen to US\$53 a pound, at the 5.48 exchange rate of the time, that was 321 yuan a *dan*, compared to the 329 yuan a *dan* domestic supply price. In the first half of 1992, cotton on the international market rose compared to the end of 1991. Presently, the international market price remains higher than the domestic supply price. In 1989 the average c.i.f. price of China's imported cotton was US\$1,385.90 a ton, at the 1:5.2 exchange rate at that time, it was 360.3 yuan a *dan* in renminbi. With 8 percent import tariff and 5 percent additional fees, the domestic delivery price of imported cotton was 407 yuan a *dan*. In 1990 the c.i.f. import price was US\$1,658.10 a ton, at the 1:5.3 exchange rate at that time, it was 431.1 yuan a *dan* in renminbi. With various added taxes and fees, the domestic delivery price was 487.1 yuan a *dan*. In 1991 the c.i.f. import price was US\$1,702 a ton. With the 1:5.5 exchange rate at that time, it was 468.1 yuan a *dan* in renminbi. With added taxes and fees, the domestic delivery price was 528.9 yuan. From January through August of 1992, the c.i.f. import price averaged US\$1,581.70 a ton. At an exchange rate of 1:6, that was 474.5 yuan a *dan* in renminbi. With added taxes and fees, the domestic delivery price was 536.2 yuan a *dan*. The Ministry of Foreign Economic Relations and Trade explains that the price of imported cotton is calculated according to its predominance in the Chinese processing industry. Its quality is generally equivalent to Chinese standard grade cotton. But the supply price of Chinese domestically produced cotton was 258 yuan a *dan* in 1989 and has been 329 yuan a *dan* from 1990 to now.

(5) **Wool.** For a long time, China has been a net importer of wool, every year importing wool from such countries as Australia, New Zealand, and Uruguay. In 1992 the demand for wool in China's domestic market was 150,000 tons to 200,000 tons, but the supply of domestically produced wool was only 50,000 tons to 60,000 tons. The remaining 100,000 tons or so could only be made up by imports. Because there are differences in such things as the varieties, quality, and sources of imported wool, the prices also varied. From January through July 1992, the average c.i.f. price of imported wool was US\$3,300 a ton. At a 1:6 exchange rate, that

was 19.8 yuan a *jin* in renminbi. The present customs rate on imported wool is 20 percent. If customs and 5 percent in other fees are added, the domestic delivery price of imported wool is 24.75 yuan a *jin*. The present state directed purchase price of domestically produced wool is 18.5 yuan a *jin* for pure grade one wool (the actual purchase price is lower than this figure). Because the quality of imported wool is generally higher, we can say that the international and domestic market prices for wool are essentially equal, there is not much difference.

(6) **Wood.** Every year China imports wood from such places as the former Soviet Union, North America, and Southeast Asia. In 1991 the average c.i.f. price for imported logs was US\$114 a cubic meter, 684 yuan in renminbi. Adding 150 yuan a cubic meter in tariff (the customs rate is 3 percent) and such other fees as a loading and unloading fee and a commodity inspection fee, the domestic delivery price of imported logs was 834 yuan. The price of wood imported from the former Soviet Union was slightly lower. The c.i.f. import price was 550 yuan a cubic meter and the domestic delivery price was 700 yuan. The c.i.f. import price of wood imported from North America and Southeast Asia was slightly higher. It reached 726 yuan a cubic meter and the domestic delivery price was 876 yuan. The price of domestically produced wood is rather complicated. The current producer price of northern state-controlled wood, making up 20 percent of total national wood production, is 215 yuan a cubic meter and the producer price of northern nonstate-controlled wood is presently 350 yuan, that of southern collective forest area wood is 450 yuan. The foreign trade delivery price of imported wood is clearly higher than the producer price of domestically produced wood. But the prices of wooden products on the international market are by no means high. Some are even lower than the domestic market.

II. The Affect That the Restoration of China's Seat in GATT Can Have on Principal Agricultural Product Domestic Markets and Prices

GATT's basic purpose is to reduce or even abolish tariffs and other trade barriers and promote an increase in international trade through general implementation of most favored nation treatment so that the resources of the world's nations can be fully utilized and production and exchange of commodities can be expanded. The restoration of China's seat in GATT has the following principal economic advantages: It can strive for comparatively stable most favored nation treatment and fully utilize GATT mechanisms for resolving conflicts to gradually eliminate the different degrees of discriminatory trade activities and barriers that major developed industrial nations now practice against China, improve China's trade environment, and promote China's economic and trade development. GATT is a "double-edged sword." While enjoying the privileges, we also must assume corresponding obligations. The principal obligation that we must assume is to reduce tariffs and lower nontariff trade barriers. The affect of GATT on the domestic agricultural product market will be somewhat

different based on the different agricultural products' comparative international and domestic prices and import and export requirements. Generally, with the restoration of the seat in GATT, the agricultural products in the international market can have a certain affect on the domestic market, but compared to industry, especially the processing industry, the affect will be quite a bit less.

(1) Domestic rice markets and prices will not be impacted. China's rice is essentially more than self-sufficient. The prices on the domestic market are close to international market levels and clearly lower than the c.i.f. import price and domestic delivery price. It is presently exempt from customs duties, so there is no problem about reducing tariffs. At the same time, China does not import and export a great deal of rice. We import approximately 200 million to 300 million *jin* a year, and only export about 700 million to 800 million *jin*. So, with the restoration of the seat in GATT, the international market still will be a place for us to regulate our varieties and cannot produce a great impact on China's supply and demand for rice.

(2) It can lead to the domestic wheat price being lowered to a certain extent. In 1992 with the price of wheat falling on the domestic market and the price rising on the international market because the United States suffered disaster, China's domestic wheat price still was higher than international market levels, and in normal years the discrepancy between the two could be even greater. So, after "entry into GATT," even more international market wheat could flow into the country, impacting the domestic market and precipitating a fall in the price on the domestic wheat market. In 1991 China imported close to 25 billion *jin* of wheat. After "entering GATT," it is estimated that imports also will be about 25 billion to 30 billion *jin*. If the import delivery price and the domestic price stay within range, the domestic market could fall by approximately 5 percent. From January through July 1992, the imported wheat foreign trade delivery price was 0.41 yuan a *jin*. During the same period the Zhengzhou Market wheat price was 0.43 yuan a *jin*, 0.02 yuan higher than the foreign trade delivery price. If it is calculated on 64 billion *jin*, the domestic market wheat price would be affected with a decline of approximately 1.28 billion yuan. This still does not include the affect of the rate of flour output. United States wheat has a flour output rate seven or eight percentage points higher than domestically produced wheat. Thus the price differential could be approximately 0.04 yuan, affecting the fall of domestic wheat prices in the total amount of approximately 2.56 billion yuan. With the present domestic wheat market price falling, it can produce some affect on wheat farmers.

(3) A rather great impact on domestic edible vegetable oils. With the present 30 percent customs duty, imported edible oil supply costs still are much lower than Chinese domestic market prices. In 1990 China imported approximately 4.6 billion *jin* of palm oil and in 1991 approximately 3.4 billion *jin* was imported. After "entry

into GATT," relevant departments estimate that imports could rise to about 5 billion to 6 billion *jin*. Presently, the domestic delivery price of imported palm oil is about 0.3 yuan a *jin* lower than the domestic market price of rape oil. If customs duties were lowered to 15 percent, the import delivery price would be about 0.5 yuan a *jin* lower than the domestic price. Calculated on the basis of 10 billion *jin* the affect of the fall on the domestic market price would be about 5 billion yuan, which could produce a rather great affect on domestic production of oils.

(4) The effect on domestically produced cotton will not be great. The price of Chinese cotton is presently lower than on the international market. Even without the 8 percent import duties, domestically produced cotton still would be competitive on the market. As regards cotton supply and demand, supply is slightly greater than demand. Even if we did not import cotton, China could essentially maintain the supply. From January through August 1992, China imported 4.8 million *dan* of cotton and exported 1.6 million *dan*. The main reason that imports are more than exports is because we import US cotton to maintain a trade balance between China and the United States. After the seat in GATT is restored, China will obtain unconditional most favored nation treatment, strengthening China's position in trade negotiations, and it can look forward to adopting more flexible and more favorable tactics on cotton imports. Certainly, because the international market fluctuates rather greatly, in a certain short period, the domestic market also could receive an unfavorable impact from the international market.

(5) Because of use differences, after "entering GATT," domestically produced wool still could occupy a place. Presently the foreign trade delivery price of imported wool is generally on a par with that of domestically produced wool. If customs duties are lowered, from 20 percent to 10 percent, the domestic delivery price of imported wool would be 22.77 yuan a kilogram. Considering the difference in quality, this would precipitate a decline in the price of domestic wool to a certain extent. Because present production of domestic wool is still rather profitable, lowering the price of domestically produced wool would reduce the profits of wool producers. But the price will not be lowered a great deal. So, ordinarily it will not cause losses for domestically produced wool. At the same time, the uses of imported wool and domestically produced wool are not altogether the same. Medium and high grade wool textiles use more imported wool and low grade wool textiles use more domestically produced wool. So, after customs duties are lowered, domestically produced wool could still have a place on the market, and is not very likely to be totally replaced by imported wool.

(6) In wood, there would not be a great affect on logs, but there will be a rather great impact on wooden products. In the last few years, China's wood market has slumped and the production and business sectors have suffered serious losses. Since 1992, because of the rage for capital

construction and interior decorating, the market has rebounded and the business sector has converted losses into profits. But it should be noted that there are more and more substitutes for wood and the wood market still is limited. As described above, after "entering GATT," with the lowering of tariffs, the price of imported wood could be lowered somewhat, thus reducing the difference with the price of domestically produced wood. But the affect on logs would not be great. The great affect would be on wood products. For example, there is presently a 9 percent duty on imported plywood. If it were lowered to 4.5 percent, the domestic delivery price of imported plywood would be 3,073.7 yuan a cubic meter. With the present 9 percent duty, imported plywood already has a competitive advantage over domestically produced plywood. After "entering GATT," domestic plywood would face an even greater impact.

III. A Few Policy Suggestions and Developments

Agriculture is China's basic industry. Of China's 1.1 billion people, 800 million are in the countryside. On the one hand, a population of 1.1 billion cannot rely on imports for its principal agricultural product needs. It must be based on domestic production. On the other hand, if we want to realize economic prosperity and improve the people's standard of living, we cannot get away from improving the incomes of the 800 million rural population. So, how to maintain and promote steady development of agricultural production is still a major problem that we cannot slight for a moment. Based on the present situation, when our seat in GATT is restored, in order to enhance the positive effect of the international market on China's agricultural production as much as possible and reduce its unfavorable affects, we believe that on policy we should grasp the following few points:

(1) In formulating reasonable plans for lowering tariffs and nontariff barriers, we should strive to pay a comparatively small price for the restoration of China's seat in GATT. In lowering tariffs on agricultural products, we advocate appropriately lowering the import duties on cotton and wool, but it is inadvisable to again greatly lower the customs rates on edible vegetable oils. As regards such cereals as wheat, we should consider whether or not we can levy an appropriate tariff to protect the domestic market and stabilize domestic production.

(2) Fully utilize the safeguarding provisions in GATT to protect domestic agricultural development. Although GATT generally forbids non-tariff barriers and demands that tariffs be reduced, there still are several safeguarding provisions in GATT. For example, the exemption procedure. When a country's economic and trade environment proves that it has an abundant need, it can seek an exemption from a specific GATT obligation. Several advanced countries have used this provision to protect domestic agriculture. For example, the United States based on this obtained the freedom to implement some agricultural policies not consistent with GATT. Also in

limiting the volume of imports. In the extraordinary circumstance where balancing international income and expenditures creates difficulties or when a developing country is establishing or expanding its domestic production capabilities, it can apply to limit the volume of imports. We must fully utilize these safeguarding provisions to protect China's agricultural development and stop the international market from creating serious damage to domestic agriculture.

(3) Adopt such measures as adjusting the exchange rate and increasing agricultural investment to stabilize and promote China's agricultural production. In addition to using the safeguarding provisions in GATT, we still have numerous methods of protecting agricultural production. For example, adjusting exchange rates. If the renminbi is devalued in relation to the U.S. dollar, it is sure to be advantageous to China's exports and disadvantageous for imports. In addition, GATT generally limits export subsidies, but by no means opposes increased investment in domestic agriculture. We can increase agricultural investment and lower peasants' production costs by such measures as building water conservancy projects and improving the service system, and thereby attain the goal of protecting the peasants' interests.

(4) Continue to implement the policy of agricultural protections and supports backed by the state treasury. A great many of the world's countries adopt a policy of agricultural subsidies. Canada's agricultural subsidies in 1990 were Can\$2.7 billion; the European Community's in 1990 were US\$81.62 billion, half the total value of agricultural products; and in 1986 United States agricultural subsidies also were as high as US\$88.1 billion. If developed countries can do it, China with a population of 1.1 billion and only 1.5 billion *mu* of cultivated land, even more needs to implement a policy of treasury support for agriculture. Presently, various localities in reforming the buying and selling system for cereals, have cast off the treasury burden. We suggest that the subsidy link could be changed from subsidizing on the market to subsidizing in the field, but we cannot totally eliminate treasury supports for agriculture.

(5) The basic tactic for converting agricultural development is to vigorously develop high yield, premium quality, high efficiency agriculture. If Chinese agriculture wants to obtain long-range, sustained, stable development, it cannot just depend on using various GATT provisions and it cannot completely rely on special state policies. It must, based on the current situation, change the past developmental strategy of simply pursuing increased volume and strive to used advanced science and technology and organizational models for production and circulation, and improve quality, perfect the structure, and strive to improve labor productivity to improve agricultural returns, and get agricultural production on track for equal stress on quantity and quality and improved results. Putting forth a major effort to develop high yield, premium quality, high efficiency agriculture

has great strategic significance not only for the development of Chinese agriculture itself, but also for enhancing China's position and power in international economic contacts.

Rural Capital Shifting to Nonagricultural Sector

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12 Apr 93 p 3

[Article by Long Hanhao (7893 3352 3185), of the Neixiang County Agricultural Bank, Henan Province: "Large Amounts of Rural Capital Are Moving Into Nonagricultural Industries"]

[Text] According to a survey by the Agricultural Bank of Neixiang County, Henan Province, from 1990 through 1992, a total of 135.9 million yuan of rural capital in the county was shifted into nonagricultural urban industries, increasing at an annual rate of 12.4 percent, 25.1 percent, and 43.6 percent respectively and accounting for 8.4 percent, 15.3 percent, and 37.6 percent respectively, of the increased money supply in the rural areas in the same years. More than 7.4 million yuan was shifted in 1992 alone. Following are the main causes:

1. Increasingly more branches of competing banks are being set up in the rural areas. Scrambling for the rural capital market, some specialized banks are eagerly setting up branches in the countryside to gain a competitive edge. As of the end of 1992, the Industrial Bank, the Construction Bank, and the Post and Telecommunications Bureau had set up 24 savings branches and offices in various towns and townships, absorbing more than 24.07 million yuan in rural savings deposits each year. The Post and Telecommunications Bureau has savings offices in all the 14 towns and townships in the county, which absorbed 8.43 million yuan in rural savings deposits in 1992 alone.

2. Various kinds of bond issues are drawing out huge amounts of rural capital. In recent years, in order to raise more funds to support the development of key industries, the state has issued huge amounts of bonds successively and in different forms, shifting funds from the rural areas to urban industries and capital construction projects and reducing the amount of funds available for agricultural investment. According to the survey, Neixiang County has issued various types of bonds totaling 18.8 million yuan to the rural areas in the past three years, 9.43 million yuan, or 50.2 percent of the total, in 1992 alone.

3. The diversion of rural capital into nonagricultural industries is causing an increasing amount of money in the rural areas to flow into the city. This is manifest mainly in the growth of various kinds of fund-raising activities. Some enterprises request peasants, who wish to work for them, to bring money of their own or raised by them. The amounts requested range from 4,000 yuan to between 5,000 and 10,000 yuan and to 14,000 yuan. In the two years from 1991 through 1992, more than 56.7 million yuan was taken from the rural areas by the

county's industrial, commercial, and town and township enterprises through internal and external fund-raising channels.

4. Aid-agriculture funds are seriously "misdirected." There are two major manifestations: First, the town and township agricultural-economic funds and rural cooperative funds are competing with the agricultural banks and credit cooperatives. They not only take deposits but also make loans indiscriminately, and in effect have become "small rural banks." According to statistics, in 1992, they took in 23.1 million yuan in deposits and made loans totaling 18.7 million yuan, of which more than 70 percent went into the circulation trade. Second, the central bank has taken large sums of aid-agriculture funds from the agricultural banks and credit cooperatives by forcing them to pay into deposit reserves and special accounts. As of the end of 1992, the funds turned in by the county's agricultural banks and credit cooperatives to the county People's Bank as deposit reserves and special deposits totaled 16.76 million yuan.

The flow of rural capital into the city has not only affected the normal currency circulation in the rural areas, but also seriously hampered the steady development of agriculture. This should be brought to the attention of the departments concerned at the higher levels, and effective measures should be adopted promptly to reverse the situation and insure the steady growth of agricultural investment.

Status of Rural Shareholding Cooperatives Surveyed

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[CHINA'S RURAL ECONOMY] in Chinese No 3,
20 Mar 93 pp 47-49

[Article by Ministry of Agriculture Rural Shareholding Cooperative Task Force: "Report on the Development of Rural Shareholding Cooperative Organizations in 1992—Survey and Analysis of 75 Counties Nationwide"]

[Text] Between June and October 1992, we conducted a relatively systematic survey of 74,942 enterprises in 27,280 villages in 1,919 township in 75 counties throughout the country in order to find out how rural shareholding cooperatives organizations are developing. We also prepared statistical survey tables, and augmented them with questionnaires given to cadres, the leaders of the concerns, and shareholders. These 75 counties are located in 25 different provinces, autonomous regions, and directly administered municipalities throughout the country, 26 of them in the east central region of the country, 24 in the central region, and 25 in the western region.

Status

This survey shows that as of July 1992 there were 25,480 rural shareholding cooperative organizations in the 75 counties, or an average of 340 per county, their share

capital totaling 2.077 billion yuan, or an average 81,500 yuan per organization. These organizations were of five kinds: shareholding type township-run enterprises, shareholding type village-run enterprises, peasant shareholding cooperative enterprises, shareholding type cooperative foundations, and converted share [zhugu 2124 5140] village collective economic organizations. Within these 75 counties, there were 543 shareholding type township-run enterprises, or 3.4 percent of all township-run enterprises, their share capital averaging 230,000 yuan per enterprise; 2,885 shareholding type village-run enterprises, or 12.5 percent of all village-run enterprises, their share capital averaging 970,000 yuan per enterprise; 11,988 rural shareholding cooperative enterprises, or 33.4 percent of peasant partnership and cooperative enterprises, their share capital averaging 67,000 yuan per enterprise; 3,244 shareholding type cooperative foundations, or 71 percent of rural cooperative foundations, their share capital averaging 140,000 yuan each; and 6,820 converted share village collective economic organizations, or 25 percent of the village level collective economy, their share capital averaging 63,000 yuan each.

The role of rural shareholding cooperative organizations in spurring rural economic reform and development is already apparent. The questionnaire survey showed that 85 percent of enterprise leaders believed that cooperative shareholding "clarified production rights, thereby stirring the zeal of staff members and workers." Fifty-five percent of enterprise leaders put this in first place. Eight-four percent of enterprise leaders felt that it pulled together idle funds to solve enterprises' fund shortage. Thirty percent put this first. Forty-five percent of leaders felt that it "enlivened the use of collective funds." Seven percent put this in first place. Still other enterprise leaders felt that it played a definite role in overcoming the practice in which a single cadre has the final say, and the "egalitarian and indiscriminate transfer" of collective assets. Converted share village operations showed a 26 percent increase in net income in 1991 as compared with 1989, total converted share assets increasing 47 percent. Clearly cooperative shareholding type operation has played an extremely marked role in the transformation of the operating mechanisms of rural microeconomic organizations and in the improvement of administration and management.

Performance and Characteristics

(1) Shareholding cooperative organizations are found in every area of rural life. Among the 543 shareholding type township-run enterprises, the percentage engaged in farming, forestry, animal husbandry, the fishing industry, industry, business, construction, transportation, the service trades, and other trades was 4.4, 3.3, 0.2, 3.98, 54.4, 8.7, 11.4, 3.1, 6.3, and 4.2 percent respectively. Substantially the same distribution applied to shareholding type village-run enterprises, and peasant shareholding cooperative enterprises, except that the percentage of industrial enterprises in shareholding type village-run enterprises was relatively low at 34.2 percent

while the percentage of farming, forestry, animal husbandry, and fishing industry enterprises was relatively high. Among peasant shareholding cooperative enterprises, the percentage of industrial concerns was relative high at 56.5 percent.

Among the shareholding type township-run enterprises in the three major economic regions, the percentage of secondary and tertiary enterprises was highest in east China, and the percentage of primary industries was higher in central and western China.

(2) The average amount of funds in shareholding cooperative organizations in different industries differed. Among shareholding type township-run enterprises, it was secondary industries that had the largest amount of share capital per enterprise at 312,000 yuan. Second was tertiary enterprises with 84,000 yuan per enterprise. Primary industries had the least amount of share capital per enterprise at 57,000 yuan. Shareholding type village-run enterprises and converted share village collective economic organizations exhibited attributes that were generally identical with shareholding type township-run enterprises. In peasant shareholding cooperative enterprises, however, the amount of money in primary enterprises was higher than in secondary enterprises, and secondary enterprises had more money than tertiary enterprises.

Among the three major regions, the amount of share capital declined to a marked extent progressively from the eastern to the central to the western region. The average amount of share capital in shareholding type township-run enterprises going from the eastern, to the central, to the western region was 289,000, 249,000, and 180,000 yuan, respectively. For peasant shareholding cooperative enterprises, the average amount of share capital going from east, to central, to west was 72,000, 60,000 and 44,000 yuan. The amount of share capital in other organizations was substantially the same.

(3) Collective share capital predominates. The shareholding structure of shareholding type township-run enterprises is as follows: collective shares, 35 percent; enterprise shares, 16 percent; staff member and worker shares, 7 percent; cooperative personnel or member shares, 20 percent; and social shares, 22 percent. Collective shares and enterprise shares total 51 percent, showing that shareholding of a collective nature remains dominant. This is also the case in shareholding type village-run enterprises.

One feature common to all three regions is the maintenance of approximately one-third of all shares as collective shares; however, the amount of shares retained by enterprises varies: The percentage is higher in the eastern region and lower in the central and western regions. The percentage of shares of a collective nature is highest in the eastern region at 56 percent. The central region comes in second at 44 percent; and the western region is lowest at 35 percent.

The make up of share capital, whether converted shares or collective shares, shows that in shareholding type township-operated enterprises, the percentage of converted share capital (47 percent) is less than the percentage of collective share capital (31 percent). In all three regions, the percentage of share capital is greatest in primary and tertiary industries at 56 and 68 percent respectively.

(4) Marked differences exist in the distribution of share capital dividends in the five different types of shareholding cooperative organizations. Results of the questionnaire survey show a fairly wide spread in share capital dividends as a percentage of after tax profits, ranging from 10 to 80 percent. The difference among different type shareholding cooperative organizations is as follows: From 30 to 40 percent in shareholding type township- and village-run enterprises. The percentage is lower in converted share village collective economy organizations and peasant shareholding cooperative enterprises at 13 and 27 percent respectively. The percentage of dividends used in these enterprises (or organizations) for the expansion of reproduction is 81 and 53 percent.

System Building, and Democratic Decisionmaking and Management

(1) Drawing up of Articles of Association or Agreements. The questionnaire survey showed that 95 percent of peasant shareholding cooperative enterprises had drawn up articles of association or agreements, 10 percentage points more than converted share village (or cooperative) enterprises. Ninety-percent of township and village-run shareholding cooperative enterprises drew up articles of association or agreements. This was 10 percentage points more than peasant shareholding cooperative enterprises.

(2) Shareholding Rights Validation and Transfer. At the present time, shareholding rights can be validated in three main ways: namely, a receipt, a share equity certificate, and internal stock. More than half the time, a receipt serves as validation; in some cases share equity certificates are issued, and in a small number of cases internal stock are issued. Rules regarding shareholding rights transfers and inheritance vary from place to place. Forty-five percent of shareholding cooperative villages (or cooperatives) and 36 percent of enterprises provide that share rights may be transferred and inherited; 41 percent of villages (or cooperatives) and 49 percent of enterprises rule that share rights may be inherited under certain conditions; and seven percent of village (or cooperative) and nine percent of enterprises provide that share rights may only be transferred but not inherited.

(3) Leadership Organs and Decisionmaking. Nearly 80 percent of shareholding cooperative organizations established leadership organs consistent with shareholding cooperative development. A shareholders' conference was the preference in 65.8 percent of cases, and a board of directors in 53.6 percent. The number having a

shareholders' conference or a board of directors as well as a board of supervisors was relatively small. The leaders of shareholding cooperative organizations are selected through democratic procedures. The original organizers play a main role in the leadership level, the leaders in many shareholding cooperative organizations being the village branch secretary or village chairman. Sixty percent of the leaders are concurrently the village chairman, and 40 percent are concurrently the village branch secretary.

In 46 percent of shareholding cooperative organizations, decision-making authority is exercised through one share, one vote; in 39 percent, it is one man, one vote. Fifty-one percent of shareholders approved of one share, one vote; 44 percent approved of one man, one vote. In the eastern region, a majority of organizations use one share, one vote, the percentage being 59 percent. In the central and western regions, the percentage is lower at 17 and 30 percent respectively. In 81 percent of shareholding cooperative enterprises, a shareholders (or representatives) conference and a board of directors play the leading role in decision making; in 8 percent, staff member and worker (or representative) conferences play the leading role; in 5 percent, the plant manager (or director) plays the leading role, and in 6 percent, higher authority makes the decisions.

(4) Democratic Supervision. The questionnaire survey showed that 86 percent of plant managers (or directors) filed regular operations reports with the board of director as regulations required and accepted the supervision of the board of directors and shareholders. All shareholding cooperative enterprises carefully watch financial control, exercise democratic money management, and regularly publish accounts for the board of directors and shareholders. Forty-one percent of all enterprises publish accounts once each year; 22 percent of enterprises publish them once every month or two, and 13 percent publish them quarterly. Ninety percent of shareholders answered that they can find out regularly the status of enterprise financial management.

Existing Problems

(1) The development of rural shareholding cooperative organizations has not yet become a major party and state rural reform policy, much less has it received legal acknowledgement and support. Even though rural shareholding cooperative organizations started earlier than the shareholding system in large- and medium-sized state-owned enterprises in cities, they have not yet clearly become an important part of the deepening of reform as the urban shareholding system has, much less have they drawn up a body of policies, rules and regulations, and laws to help their development.

(2) Conflicts exist between the diversity of forms of ownership of shareholding cooperative organizations and among the old policies and methods that government departments use in controlling and registering them. This creates uncertainties about the status of

shareholding cooperative organizations and confusion about registration. Some are registered as collective enterprises; some are registered as individually owned or privately owned enterprises; and some are registered as shareholding or collective enterprises. Results of the questionnaire survey show that 58 percent of existing shareholding cooperative organizations are registered as collective enterprises; 22 percent are registered as shareholding cooperative enterprises, four percent are registered as privately owned enterprises, six percent are registered as individually owned enterprises, and 10 percent are otherwise registered. The additional problems that this occasions are confused credit and taxation policies. In addition, government departments concerned and other social organizations, which are still accustomed to the former control methods, interfere in the decisionmaking, management, and profit distributions of shareholding cooperative organizations; thus, they are unable to operate according to the special regulations regarding shareholding cooperative organizations.

(3) Rural shareholding cooperative organization operation is not yet standardized, some flaws existing in decision making, management, and profits distribution. Eleven percent of the converted share rural cooperatives and 17 percent of the shareholding cooperative enterprises have no form of written share rights certification that recognizes share equity according to law. The rules of 19 percent of converted share village organizations and 29 percent of enterprises permit free withdrawal of shares. Substantial disagreement and policy restrictions exist regarding whether shareholding can apply to rural land ownership rights and use rights. Organizationally, some shareholding cooperative organizations have no specific means for expressing shareholders decision-making authority. Thirty-five percent of shareholding cooperative organizations have no shareholder conferences; 46 percent have no board of directors; and 23 percent of converted share villages and 18 percent of shareholding cooperative enterprises have no structure of any kind. In decisionmaking, 15 percent of converted share villages decisions about economic activity are made by the party branch headquarters or the village CPC committee. In 6 percent of enterprises, major policies are decided by the top level leadership. In the distribution of returns, 27 percent of shareholding cooperative enterprises set no percentage for the distribution of dividends, and 47 percent have no regulations prohibiting the separating out of common accumulations as a percentage of funds for the expansion of reproduction.

(4) The foregoing problems likewise show that insufficient theoretical preparation and information collection has been done on rural shareholding cooperative organizations. Consequently, neither the government administration level nor the grassroots cadre and peasant operating level are able to foster and develop this form of organization according to the inherent requirements of a market economy and the operating laws of shareholding cooperative organizations.

Several Recommendations

(1) The development of rural shareholding cooperative organizations must be made an important integral part of the building of a socialist market economy, and it must be included in both party and state major rural reform policies in order to dispel ideological apprehensions on the part of cadres and peasants.

(2) Government departments concerned should organize forces to revise existing inappropriate policies and systems, drawing up rules and regulations in keeping with the development of shareholding cooperative organizations. This includes recognition in law of their legal position, their registration as a juridical entity, equity rights and their transfer, and the evaluation of assets. The system of rules and regulations should reflect both the principle of maintaining leeway for full development, and provision of a corresponding amount of management and direction.

(3) Further perfection of the internal management mechanism in shareholding cooperative organizations, setting up on a corresponding scale an organizational structure, a form of management, and decision-making procedures, as well as a financial system and a supervisory system.

(4) Emphasis on propaganda and organizational training to improve the caliber of the cadres and peasants. Basic information and basic rules and regulations about a market economy, particularly about shareholding cooperatives must be rapidly spread.

(5) Administrative interference must be halted. In some shareholding cooperative organizations, the shareholding system predominates; in others, the cooperative system predominates. In their operation and development, however, many have begun to evolve toward these two systems of organization. The trend of evolution suggests that most will evolve into the shareholding system. The right of the broad masses of peasants to decide the form of their operating organization must be fully respected; government administration positively may not interfere.

Growth of Rural Shareholding Cooperatives

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[CHINA'S RURAL ECONOMY] in Chinese No 3,
20 Mar 93 pp 33-36

[Article by Zhou Jinting, of the CPC Committee of Henggang Township, Shenzhen, Guangdong Province, and Tang Huibin; edited by Ying Xuemei: "Economic Development and Changes in System—Analysis of the Origin and Growth of the Rural Joint-Stock Cooperative System in China"]

[Text] The rural joint-stock cooperative system is a brand-new kind of economic organization and property system; it integrates features of the joint-stock system and the cooperative system. It originated, during the

mid-1980's, in the regions characterized by vigorous activities of commodity economy, mainly including Tianhe, Guangzhou; Wenzhou, Zhejiang; Fuyang, Anhui; and Zhoucun, Shandong. In the late 1980's, the joint-stock cooperative system aroused attention from people of all social sectors, due to the great vitality exhibited by it. As the various localities created the system on different foundations and within different environments, the existence of different types of the rural joint-stock cooperative system is entirely in accord with the logic of its natural development. Since there is not yet a single way of categorizing accepted by the theoretical circles, we are of the view that a realistic and scientific choice is to conduct categorizing on the basis of the ownership system and the organizational forms. Generally, there are just two types: the community-type joint-stock cooperative system and the enterprise-type joint-stock cooperative system. The former refers to the system which, in a geographically based rural community—a township, administrative village or natural village, redefines collective assets in terms of the joint-stock system and functions according to the standards of the joint-stock system and the cooperative system, while maintaining a situation where the two powers are separated, where the shareholders have a double status, where the organization is held within the confines of the community concerned, and where management is conducted in a democratic manner. The latter refers to the system under which rural enterprises (including township and private enterprises), after having made certain changes according to the principles of the joint-stock system, are managed through the use of mechanisms characterized by features of both the joint-stock system and the cooperative system; the main characteristics of this system are the independence of the legal person, the double status of the shareholder, the multiple aspects of the shareholder's rights, and the openness of the organization. The two types of the system are different, but they are basically the same in terms of their origins and operating principles.

I. Supply and Demand Relating to the Development of the Joint-Stock Cooperative System

It is always the case with system changes that as there is effective demand for change and as there is relevant actual supply, a change in the system concerned comes to be formalized. The demand often originates from the disequilibrium in a certain part of the internal mechanism of the system concerned, a disequilibrium which makes it impossible to reduce transaction costs and to make the system generate high returns. That the rural joint-stock cooperative system could be born and grow was also due to the existence, as a precondition, of effective supply and demand. The two-tier rural management system facilitates the solution of such problems as those of the peasants' management autonomy and freedom to change their status, and therefore played an enormous role in promoting the development of the rural economy during a certain period. Nevertheless, it remains unable to provide services related to the protection, and increase in the value, of collective assets and

scientific management; furthermore, it can neither clearly define the property rights of each member of the organization over collective assets, nor conduct equitable distributions. As a result, the system is becoming increasingly ineffective. The rural joint-stock cooperative system has been designed exactly to clearly define collective property rights as well as the status, responsibilities, rights and personalities of the members of the organization concerned. This has been the reason for the existence of the general demand for the development of the rural joint-stock cooperative system. An analysis of the general demand will shed further light on why the rural economic system in the form of the two-tier management system have undergone, and will continue to undergo, further changes.

(1) Demand for the protection, and increase in the value of, collective properties The rural reforms have led to the rapid development of the collective economy, and to the increase in the accumulation of collective assets. Take the example of Shenzhen. City-wide, in 1991, collectives of the three levels owned fixed assets worth 3.87 billion yuan, representing a per capita amount of 15,000 yuan. The need for finding ways of protecting such properties well to prevent damages to them and of further increasing the value of the properties resulted in urgent actual demand for changes in the system concerned. The common properties of the community were prone to suffer damages because property rights were not clearly defined under the two-tier management system: On the one hand, parts of the common properties were taken over, without compensation, by the leading cadres of the community organization and some other people who had power; on the other hand, it would be necessary to incur huge expenditures and costs in order to prevent the leading cadres and some other people from harming the rights and interests of other people, while bad management could also lead to low returns on the assets. The feature of democratic supervision of the rural joint-stock cooperative system can prevent such washout and improve the success rate of decision making.

(2) Demand for individual property rights In rural China, the common defect of the people's commune system and the two-tier management system is that collective property rights are not clearly defined. Under the name of collective ownership, the ownership rights of each member are not exclusive; as a result, responsibilities, rights, and interests are not clearly defined. The peasants do not know their own status in the community organization nor what role to play. Their labor does not bring corresponding returns. Consequently, individual enthusiasm and creativity would naturally be curtailed. On the other hand, property rights are exactly a great stimulus to the peasants. Complete property rights include ultimate ownership, the right of actual possession, the right of use, the right to gain benefits and the right of disposition. The key to measuring the effectiveness of a change in a system is to see whether it can give effective play to the role of the initiative of the individual members of the community, and ensure that human energy and capital

shall be used for carrying out activities which are the most beneficial to society. Through counting and appraising the assets, the rural joint-stock cooperative system quantifies each member's share of the common properties, so as to give real meaning to the ownership status. As a result, being concerned about the community organization becomes the voluntary behavior of all members.

(3) Demand for fund raising The shortage of funds and fund-raising channels are key factors constraining the development of the rural, or even the entire national, economy of China. In addition to the channel of bank lending, it is necessary to open new fund-raising channels to absorb the large amounts of idle funds in the hands of the peasants, and to use those funds for large-scale development, thereby turning consumption funds into production funds. The joint-stock system is a form of economic organization or system which appeared because of the need for accelerated fund-gathering generated by the socialization of production. Its main function is to raise funds in a rapid manner.

(4) Demand for the renewal of the rural community cooperative organization The existing community organization is basically based on the organizational resources formed after the collectivization campaign. It is a community, both economic and political, which is geographically based and uses administrative enforcement as the basic means of regulating. Because of the dual-purpose nature of such an organizational structure and the relevant functions, the economic organization is characterized by low efficiency, while the administrative organization does not practice democratic management. Furthermore, the economic organization often becomes subordinate to the administrative organization because of the pressure resulting from the power of the latter. As a result, the leaders of the community organization would only pay attention to its responsibility to the higher-level administrative organizations, but neglect caring for the interests of the members of the organization. This goes against the most fundamental goal of the community cooperative organization. In the past decades, the peasants of China have always been seeking the benefits due to themselves in their own organizations. The peasants often have to pay dearly for any benefit gained, because of the absence of a relevant functioning organizational system. Actually there have already been calls for the renewal of the traditional community cooperative organization. The introduction of the joint-stock system has reinvigorated the organization, resulting in marked improvement in the organization's efficiency.

The four above-mentioned demands together induced the birth of the rural joint-stock cooperative system. Thus, it is proper to consider the four demands the formative basis for the rural joint-stock cooperative system. It is difficult for the system, as a formal system, to be successfully adopted without relevant supply of system changes.

The government controls the setup of the formal system. Thus, the birth and growth of the rural joint-stock cooperative system also depend on the government's timely, effective promotion and support. The government's key tasks are to formulate—in a deliberate manner—a series of policies, laws, regulations, and codes of conduct on the basis of the various demands, and to establish a relevant system, so as to define the room of choice for people and to put constraints on the relations between people, thereby reducing the uncertainty and transaction costs involved in the relevant operations, protecting property rights, and achieving the goal of improving the effectiveness of system changes.

II. The Functioning of the Rural Joint-Stock Cooperative System

Understanding the principles governing the functioning of the rural joint-stock cooperative system can also lead to a clear understanding of the contents of this system. As the enterprise-type joint-stock cooperative system and the community-type joint-stock cooperative system each have their own characteristics, it is helpful to give separate accounts.

(1) The enterprise-type joint-stock cooperative system Across the country, this system is in its most typical and mature form in Zhoucun, Shandong and in Wenzhou, Zhejiang. Toward the end of 1990, there were 22,000 joint-stock cooperative enterprises in Wenzhou and 881 such enterprises in Zhoucun. The joint-stock cooperative enterprises in Zhoucun were formed mainly through redefining the preexisting community collective enterprises and properties as well as issuing township collective shares, enterprise shares, employee distribution shares and some social shares available to those outside the community organization. Township collective shares and enterprise shares account for 70 percent and 30 percent, respectively, of the preexisting collective enterprises' properties. Employee distribution shares are part of the enterprise shares given to employees on the basis of the work performed and only entitle the holders to distribution benefits. In Wenzhou, Zhejiang, joint-stock cooperative enterprises were formed through gradual evolution in the forms of mergers and the use of the joint-stock system on the part of individual and household businesses. Most shares are held by individuals. The number of shares one got was determined by the amount of assets one had at the time of adopting the joint-stock system. The two forms are different in terms of distribution of shares, but are basically the same in terms of the transfer of shares and the distribution and management systems of the enterprises. Shareholding is basically governed by the practice of holding shares, not by share certificates, and of allowing money to be invested in shareholding, but having no stock market. Shares can only be transferred between the community cooperative organizations as well as the enterprises. The enterprises basically follow the principles of "taking distribution according to work as the main method to be supplemented by the distribution of dividends according to the number of shares." It is provided that over 40

percent—as much as 60 percent in some cases—of the after-tax profits of the enterprises be used for expanding reproduction. There are specific regulations on retention of funds to be used as collective accumulation funds and public project funds and on the distribution of dividends. The joint-stock cooperative enterprises of both forms use the management system characterized by the system of the general meeting of shareholders—the board of directors—plant director (manager). The plant director (manager) is the representative of the legal person of the enterprise, and exercises management authorities.

(2) The community-type joint-stock cooperative system At present, in the country, this system is widely used in Baoan County, Shenzhen and in Tianhe District, Guangzhou. According to statistics, of the administrative villages with the necessary conditions for adopting the joint-stock cooperative system in Baoan County, 98—or 80 percent—have now adopted the joint-stock cooperative system. Of the 373 natural villages with the necessary conditions, 356—or 94 percent—have adopted the joint-stock cooperative system. In Tianhe District, Guangzhou, the joint-stock cooperative system has been adopted by over 90 percent of the community cooperative organizations. From a comparative perspective, the method used by Henggang, Baoan County, is the most typical and well-developed. Firstly, the system was adopted early there; secondly, community cooperative organizations of the three tiers (natural villages, administrative villages, and townships) are linked up by shareholding, and function smoothly. Therefore, an analysis based on Henggang Township would be enough to provide understanding of the overall situation of the community-type joint-stock cooperative system.

1. The natural-village joint-stock cooperative. On the organizational basis of a natural village of the time, first, appraisal was carried out on all the assets of the organization, and then the assets were divided into two categories: 30 percent became embodied by collective shares controlled by the natural village; 70 percent became embodied by the members' individual distribution shares, which were distributed according to the number of people in the household—one share for each person at the age of sixteen or older and half a share for each person under sixteen; share certificates were also issued. Individual share certificates can only serve as basis for receiving dividends, but not be redeemed, transferred, inherited, nor circulated. Collective shares are used for generating collective accumulation so as to expand reproduction. The collectives use the management system characterized by the system of the general meeting of shareholders—the board of directors—manager. As provided in the regulations, dividends are distributed once a year. Dividend distribution is based on the following principles: First, parts of the total yearly income will become funds earmarked for the development of production, for paying taxes, for debt payments and for other expenditures; 10 percent of the income will

become depreciation funds and another 10 percent will become welfare funds. Then, the rest will be distributed as dividends.

2. The allied administrative-village joint-stock cooperative. First, appraisal was carried out on the collective assets formerly owned by an administrative village. Then shares were distributed according to a ratio of 1:1, that is, 50 percent of the shares to be retained by the administrative village, with the other 50 percent of the shares to be distributed among the participating natural villages. The shares were distributed among the natural villages according to the following criteria: the amount of land of a natural village requisitioned by the administrative village, and the number of villagers in that natural village. As the assets became embodied by shares, the joint-stock cooperatives of the natural villages became the shareholders of the allied administrative-village joint-stock cooperative. The allied cooperative also uses the system under which the manager is the person in charge under the leadership of the board of directors. Dividend distribution is conducted yearly according to the same principles as used by the joint-stock cooperatives. But, there are clear regulations on the use of dividends. The administrative village can only use the dividends resulting from the 50 percent of the shares it holds for expanding reproduction and for collective welfare projects. With regard to the 50 percent of the shares held by the natural villages, those shares cannot be divided, transferred, redeemed, nor serve as collateral, without the consent of the meeting of the representatives of shareholders and the approval of the township people's government; the dividends resulting from the shares can only be used for expanding reproduction. The dividends cannot be directly distributed to the villagers in the forms of shareholding rights and dividend funds.

3. The township limited-liability joint-stock investment company. The relatively standard joint-stock investment companies were established on the basis of the joint-stock cooperatives of the two levels. This was the creation of Henggang Township. The company has the allied joint-stock cooperatives of the various administrative villages as the shareholders, while making use of the investments made by the township residents, compatriots from Hong Kong and Macao and overseas Chinese. There are ordinary shares and priority shares. According to the regulations, of the profits of the company, 40 percent is to be used for expanding reproduction; 40 percent is to be used as dividends and bonuses for the shareholders; and 20 percent is to be used for improving the social welfare projects of Henggang Township. The company uses the management system characterized by the system of the general meeting of shareholders—the board of directors—manager.

The establishment of the joint-stock system at the three levels represents the negation of the past three-tier ownership system based on administrative relations. The joint-stock organizations of the three levels are all independent legal persons enjoying equal legal status. Economically, the practice of shareholding is used. That is,

the lower-level organizations are all shareholders of the upper-level organization. In this way, it is possible to maintain the independent-partner status of the organizations at all levels, while keeping the links that the community organizations have always maintained and find it difficult to sever all at once. The existence of the township joint-stock company can facilitate the gathering of idle funds so as to achieve returns to scale. In this way, some of the projects which the villages want to undertake but are incapable of doing so can now be undertaken. In terms of business operation, the township company can act as a model and provide guidance for the villages, and lead the village (allied) joint-stock cooperatives in adopting the standard joint-stock system.

III. The Direction of Development of the Rural Joint-Stock Cooperative System

The growth of the rural joint-stock cooperative system on the one hand has economic development as its precondition, but on the other hand has also further stimulated economic growth. But, as a system, the rural joint-stock cooperative system is only one of a preliminary type. Obviously, the government has allowed it to retain many non-economic elements which are in conflict with market economy. And, it is exactly such conflicts that generate the demand for further development of the rural joint-stock cooperative system. The overall principle governing its development should still be to give more effective play to the role of individual initiative, so as to achieve the rational allocation and full utilization of resources in society. The general direction of the development should be the evolution of the joint-stock cooperative system into a quasi-standard or standard joint-stock system. Thus, it is first of all necessary to achieve standardization in relation to some nonstandard practices under the joint-stock cooperative system according to the standards of the joint-stock system, and then introduce formal changes in the system. Specifically, standardization efforts should be made in the following areas:

(1) Give property rights to shareholders Presently, under the joint-stock cooperative system, whether of the enterprise type or of the community type, the members' shareholding acquired through appraisal of the common properties of the preexisting collective organizations (enterprises) only results in rights to distribution benefits. The biggest defect in the shareholding practice remains: that the property rights of collective organizations have not been made totally clear and remain only rights to welfare benefits. They "are effective only when the relevant people are alive but not when they are dead," and are not real property rights. As a result, the members of the collective organizations only care about the distribution of the particular year concerned, but are not highly concerned about the increase in the value of their stock, that is, the increase in the value of the assets as a whole. On the other hand, the members of the collective organizations are both shareholders and collective owners of the assets, while some owners are also

managers. Consequently, the management rights and ownership rights are highly integrated. Furthermore, the administrative and economic relations within the collective organizations are also very closely knit. All this is unhelpful to the functioning of the economic organizations in a highly efficient manner. In addition, as shares are given only to one with a resident permit of a collective organization, many people would not lightly give up their residence permits because they do not want to give up their given shares which entitle them to certain benefits. Things would be different only when compensated transfers are allowed. As a result, there have occurred such phenomena as men moving into their spouses' households and some people refusing to take jobs or to become cadres. In the end, such a situation can create a peasant aristocracy which lives on others' labor. This will be very unhelpful to the further development of cooperative organizations. The fundamental way to solve this problem is to give property rights to the shareholders. The concrete method is to appraise the common assets created jointly by the members of a collective organization, and then make each member the owner of a definite amount of assets. This can be done in a compensated or uncompensated way, depending on the views of the members of the organization. After that, a certificate of property rights is issued to each member who will not be able to redeem the certificate, but can transfer, use as collateral, give away or bequeath the certificate. The state can impose taxes on the transfer and inheritance. Only such a method can facilitate the formation of the property rights market.

(2) Clearly define the property rights of collectives (enterprises) In order to ensure that collectives can carry out routine accumulation so as to expand collective economy, when issuing shares under the joint-stock system, many localities often retain a certain portion of the shares as collective shares. Actually, before conducting distribution, the collective organizations, whether of the enterprise type or of the community type, are all required to retain some funds to be used as collective accumulation funds, public project funds and funds for the development of production. Those accumulation tasks must be accomplished whether there are collective shares or not. And the funds thus accumulated are not to be distributed to individuals. Therefore, in our view, on the one hand, it is not, in fact, very meaningful to have collective (enterprise) shares. If the amount of accumulation as being achieved is felt to be insufficient, one can raise the accumulation rate through holding meetings of representatives of shareholders or revising the regulations. On the other hand, the collective (enterprise) is a dynamic, changing entity composed of members. The situation created by the existence of those shares is rather confusing and is similar to the past situation where "everyone was an owner in name, but no one was an owner in fact." The concrete method of clearly defining collective property rights is to issue only individual shares but not collective shares after the

appraisal of the assets. That is, those shares will become individual shares, and give the individuals complete property rights.

(3) Turn the community cooperative organization into an enterprise In rural China, the community cooperative organization has always been a politico-economic organizational system which integrates functions in the areas of production, circulation, distribution, land management, the management of common properties, community services and administrative management; such a situation is extremely unhelpful to the adequate performance of economic functions. Thus, the separation of the political and economic functions has always been the main objective in the rebuilding of the community collective organization. When the community collective economic organization shakes off the system combining political and economic functions and becomes an independent enterprise legal person, the best system that the organization can select is the following: The community collective organization evolves into a joint-stock company which uses the organizational system characterized by the system of the general meeting of shareholders—the board of directors—manager. Under the existing joint-stock cooperative system, the top administrative official of the community collective organization tends to hold the concurrent position of chairman or manager of the economic organization. The separation is far from complete. There is still need for development which can turn the organization into an enterprise and market actor.

(4) Make property rights become market-based Both legal-person and natural-person shareholders are actors in the property rights market. When the community collective organization becomes an independent legal person and can freely trade in property rights, a property rights market based on the prerequisite of clear property rights would come into being. The coming into being of the property rights market is helpful to the achievement of Pareto optimum in the allocation of resources in society. In terms of the procedure for opening markets, it is proper to first open markets for trading in property rights of township-level joint-stock companies, to attract legal-person and natural-person shareholders from outside the townships, and to let the shares flow freely. At the same time, at the village-level markets, allow internal shares to flow within the confines of the community. When conditions are ripe, such markets can also be totally opened up and become fully linked up with markets for property rights of township-level companies as well as society-wide property rights markets, so as to diversify and socialize property rights.

The road to achieving those standardization objectives will be arduous and difficult, and it will take a long time. The government, which controls system development, should firmly adhere to the principle of basing judgment on whether a thing is helpful to the development of productive forces and on whether a thing is helpful to improving the quality of life of people, and make necessary arrangements along the line of the joint-stock

system in view of the demand generated in actual practice for system changes, so as to reduce, as much as possible, the costs involved in system changes.

Sales of Agricultural Machinery Reaching New High

93CE0505B Beijing ZHONGGUO NONGJIHUA BAO in Chinese 10 Apr 93 p 3

[Article by Zhou Zhimin (0719 1807 2404): "National Agricultural Machinery Sales Are 'Off to an Auspicious Start'"]

[Text] As we enter spring this year, with China's macro-economy maintaining a high rate of development and reform and opening up constantly picking up speed, national agricultural machinery market purchases and sales are maintaining steady growth and their structure is clearly changing. As of the end of February, national agricultural machinery company systematic purchases had a gross value of 3.77 billion yuan and total sales valued at 4.42 billion yuan, for an increase over the same period last year of 31.5 percent and 34.8 percent, respectively, setting record high levels.

In the first two months of this year, agricultural machinery markets maintained steady growth, setting new records each month. Although January was affected by the New Year and Spring Festival holidays, buying and selling were still good. Purchases were 1.5 billion yuan and sales were 1.74 billion yuan, both nearly 20 percent increases over the same period last year. It could be said that the slack season was not slack. In February purchases were 2.27 billion yuan and sales were 2.68 billion yuan, increases of more than 40 percent. But it should be noted that at the same time that total values of purchases and sales increased, the volume of purchases and sales of major commodities declined to different degrees. The main reasons for this phenomenon were the following: The first was the influence of the inflation factor. With the cyclical inflation of various means of production, at each link production expenses increased and costs became greater. A number of agricultural machinery producing enterprises correspondingly adjusted the prices of their products, thereby causing the volume of purchases and sales of major commodities to decline, but the total value of purchases and sales still increased. Secondly, agricultural machinery companies expanded the scope of their operations and constantly increased the varieties with which they dealt, and quite a few peasants converted their productive consumption to investment in vehicles for agricultural transport and other commodities not used on farmland.

The development of agricultural machinery markets in provinces, autonomous regions, and municipalities throughout the country was definitely uneven, but they mainly increased. Except for the five provinces of Hebei, Jilin, Anhui, Henan, and Xinjiang that declined, the other 25 provinces and autonomous regions all increased

to different degrees. The five provinces and municipalities of Guangdong, Hainan, Fujian, Beijing, and Shanghai grew by 100 percent or more.

From the values of seven major categories and the sales of major commodities, the structure of sales obviously changed. This is specifically exhibited in:

1. Mechanical farm implements maintained their "mainstay" position, but their share of total sales declined somewhat. January-February sales were 2.14 billion yuan, a 27.7 percent increase over the same period last year, and their share of the total value of sales was 41 percent. But last year their share was 51 percent. There were 6,616 large and medium-sized tractors sold, a decline of 12.3 percent from the same period last year. Within that, 2,676 Dongfanghong 802/75s were sold, an 11.2 percent increase, and Tieniu-55 sales had a rather large decline, declining by as much as 58 percent, and Shanghai-50 sales declined by 20.9 percent from the previous year. There were 59,900 hand-held tractors sold, a 7.6 percent decline, and 56,000 small four-wheel tractors were sold, a 33.1 percent decline. Agricultural transport vehicles and three-wheel agricultural transport vehicles, after successive years of rapid growth, this year are maintaining their great demand. In January-February, 17,600 agricultural transport vehicles were sold, an 85.4 percent increase, and 47,000 three-wheel agricultural transport vehicles were sold, a 25.5 percent increase. Tractor associated farm implement sales experienced a rather large decline. In the first two months, sales of large- and medium-sized tractor-pulled plows, harrows, and rakes declined from the same period last year by 41.8 percent, 40.3 percent, and 55 percent, respectively. There were 14,000 small tractor associated farm implements sold, a 37.9 percent decline. Large combines, which had once maintained brisk sales, also declined. In January-February, 501 were sold, a 39.6 percent decline.

2. Agricultural power drainage and irrigation machinery sales were stable. In January-February, 199,000 sets of agricultural power machinery were sold, a 0.8 percent increase. Within that, 43,000 electrically powered machines were sold, a 32.3 percent increase and 155,000 diesel machines were sold, a 5 percent decline. Internal combustion generating set sales were rather vigorous. There were 3,486 sold, a 59.4 percent increase. There were 91,000 water pumps sold, a 4.9 percent decline, and 1,972 irrigation sprinklers were sold, a 76.1 percent decline.

3. Sales of other types of agricultural machinery commodities and nonagricultural machinery commodities rose sharply, but repair parts, agricultural sideline product processing machinery, and semi-mechanical categories did not change much, maintaining steady growth. Agricultural machinery companies broadened the scope of their business and experienced rather rapid development of nonagricultural machinery commodities with 405 million yuan in sales, a 115 percent increase, and other agricultural machinery commodity sales were 260

million yuan, a 149.6 percent increase. Respectively they made up 9.2 percent and 5.9 percent of the total value of sales, and in the same period last year they made up 5.7 percent and 3.1 percent each.

Problems Hamper 1993 Spring Planting

93CE0492D Beijing JINGJI CANKAO BAO in Chinese
16 Apr 93 p 2

[Article by staff reporter Wan Zheng (5502 1767)]

[Text] The whole year's work depends on a good start in spring. As the agricultural and rural situation in the first two months of the year indicates, the important spring plowing and preparation farming season has already begun gradually from the south to the north. A responsible person of the Rural Section of the State Statistical Bureau issued a statement saying that both the implementation of policies and production efficiency do not present an optimistic view about the situation of this year's spring plowing and farming preparation.

First, the benefits derived from water conservancy works are lower. As of the end of February this year, peasants engaged in the construction of water conservancy projects had put in 4.6 billion man-days of labor and completed 5.9 billion cubic meters of earth and stone work. Although the overall construction scale is about the same as the last year, the actual benefits that can be derived are lower than in previous years. By varying degrees the areas of new irrigated fields, restored and improved irrigated fields, and soil erosion control have all dropped.

Next, spring farming this year is not as well prepared as the last year. According to a survey of 48,000 peasant households in more than 800 counties of 29 provinces, autonomous regions, and municipalities (not including Tibet), the average quantities of chemical fertilizers, pesticides, plastic sheeting, diesel oil, seeds, and other materials actually prepared by each peasant household have dropped by 20-30 percent from the same period last year. The shortage is greater than the last year. Sales of chemical fertilizers, pesticides, plastic sheeting, and so forth by state and commercial suppliers also show a decreasing trend.

Another problem is insufficient agricultural funds. In January and February this year, state expenditures in support of agricultural production totaled 588 million yuan, down 13.3 percent from the same period last year. As of the end of February, banks and credit cooperatives had a balance of 215 billion yuan in agricultural loan funds, up 7.7 billion yuan from the same period last year. However, it is reported that only a low percentage of the funds have reached the intended borrowers. Some of the funds have been held up at the higher levels, and some have been diverted by the administrative departments. At the same time, there is not sufficient funds for other necessary supports. It is hard to achieve the intended results.

According to an analysis by the Rural Section of the State Statistical bureau, the above-mentioned problems are caused mainly by the following:

The peasants do not see any profit in growing grain and cotton, and they are not enthusiastic about putting more money in it. In 1992, production costs went up but returns on agricultural investment fell down in the major grain-producing areas. Though the prices of grain for state purchase contracts were increased slightly, the negotiated grain prices and prices of grain sold at rural fairs dropped by a rather large margin. Hunan, Jilin, and Hubei provinces all reported diminished returns from growing grain, cotton, and tobacco. A balance between the peasants' income and expenses showed that they suffered a loss on early rice, and that their income from growing cotton, tobacco, and corn also took a downturn. In February this year, the prices of agricultural means of production rose by 7.8 percent over the same period last year. All this is dampening the peasants' enthusiasm to invest in agriculture. As a result, some places have reduced the crop-growing areas, practiced extensive farming, cut back on agricultural input, and let farmland lie waste.

Because of their reduced income from farming, some peasant households in the major grain, cotton, and edible oil producing areas do not have enough money to buy need agricultural means of production. According to a survey of 100 peasant households in Chishan District, Yuanjiang City, Hunan Province, in 1993, only 45 households can raise the production funds on their own, and the rest have to rely on loans. According to another survey, 60 peasant households in Liquan County, Shaanxi Province, need a total of 21,600 yuan for spring sowing, have raised 11,900 yuan now, and remain 44.8 percent short of the amount needed. Similar reports have also come from Shandong and other provinces.

Some major readjustments have been made to the cropping pattern in various places, and the requirements for some agricultural means of production have also changed. Besides, because of the reduced production of cotton and other industrial crops last year, purchases of these crops were also cut down, and the material rewards to peasants for overfulfilling state purchase quotas were smaller than in previous years. All this has contributed to the drop in the amount of agricultural means of production prepared for this year's spring plowing.

The responsible person of the Rural Section pointed out: Since the latter half of the last year, the party Central Committee and the State Council have introduced a number of policies and measures for stabilizing agriculture. It is now necessary for the local authorities and relevant departments to strengthen macroeconomic regulation and control, conscientiously implement policies, and adopt effective measures to solve the major current problems, going all out to win a good harvest.

Agriculture Official on Mechanized Farming

93CE0505A Beijing ZHONGGUO NONGJIHUA BAO
in Chinese 17 Apr 93 p 2

[Article by Ministry of Agriculture, Agricultural Mechanization Department Deputy Department Head Zhang Chenghua (1728 2110 5478) and Comprehensive Office Head Zhu Peiwei (2612 1014 1983): "Farm Machinery Project Development Has Great Possibilities"]

[Text] An Undertaking With Great Possibilities

From the time in 1988 that China established the National Comprehensive Agricultural Development Leadership Group and the organization that it administers until now, it has been a full four years. Now, the projects launched by the state have expanded to 29 provinces, autonomous regions, and municipalities and eleven cities listed in the plan and involve more than 900 counties and cities and more than 300 state-run farms and grazing lands. Each year approximately 6 billion yuan is invested in comprehensive agricultural development. China's comprehensive agricultural development is now becoming increasingly extensive, increasingly being invested in it, and results of the development are increasingly improving. It injects new vitality and vigor into China's agricultural development. Preliminary observations on agricultural comprehensive development examination and acceptance of projects of units related to state agricultural comprehensive development run organizations in ten provinces and regions (Heilongjiang's Three River Plateau project; Jilin's Songliao Plateau project; Liaoning's Liao River Delta project; Henan, Hebei, Shandong, Anhui, and Jiangsu's Huang Huai Hai project; Xinjiang Autonomous Region's Miantang Base project; and Zhejiang's Kangjia Lake region and Jinqiu Basin projects) generally reveal improved basic agricultural production conditions and greatly increased resistance to natural disasters. At the same time, agricultural modernization has been improved and there have been obvious improvements in peasant income and living standards.

According to incomplete statistics, in the past four years in state established development project regions, 64.84 million *mu* of medium and low yield croplands have been transformed, 9.44 million *mu* of wasteland suitable for farming has been reclaimed, 15.16 million *mu* has been afforested, 3.19 million *mu* has been transformed into grazing land, 1,798 small reservoirs have been constructed, 18.53 million kilometers of irrigation and drainage ditches have been constructed, 10,500 electrical drainage and irrigation stations have been constructed, 251,000 wells have been dug with machinery, 30.12 million *mu* has been added to the irrigated area, 42.24 million *mu* of irrigated area has been improved, 15.12 million *mu* has been added to the waterlogged area drained, and the drainage of 18.48 million *mu* of waterlogged area has been improved. In the project area, essentially dry land has been able to be irrigated and

waterlogged land has been able to be drained. In addition, quite a bit of barren plowland has had its fertility increased by such measures as restoring land with straw, planting with green manure, deep plowing to loosen the soil, and increased mechanical application of fertilizer. These comprehensive agricultural developments could not be accomplished without agricultural machinery.

In China's comprehensive agricultural development, agricultural projects are rather arduous. Medium and low yield farmlands make up approximately two thirds of China's current 1.5 billion *mu* of nonirrigated farmland. During the Eighth 5-Year Plan, we plan to transform 250 million *mu* of medium and low yield farmland. Throughout the country there is presently 500 million *mu* of wasteland that can be reclaimed and in the near to mid-term we can open up 200 million *mu* for use.

The Eighth Five-Year Plan plans to reclaim 50 million *mu* of wasteland and add 30 million *mu* of new grain tonnage fields. In addition, throughout the country there still is more than 50 million *mu* of shoal area with more than 30 million *mu* still undeveloped for use, and there presently is 75 million *mu* of fresh water area that could be used for cultivation; however, nearly half is not being used for cultivation. It is necessary during this period of comprehensive agricultural development to form a newly increased production capability that can generally take on approximately half of the increased grain production tasks. In the Eighth Five-Year Plan, comprehensive agricultural development areas throughout the country also will be divided into national development areas and development areas self-administered by provinces, autonomous regions, municipalities, and cities listed in the plan. The national development areas also will be divided into key development areas and ordinary development areas. Presently the state is concentrating on doing a good job on three large sections: the Northeastern plateau, the Huang, Huai, Hai plateau, and the Xinjiang Miantang Base. China's agricultural machinery project developers should combine with state key projects and do an even better job by fully performing their own role based on local conditions.

Principal Measures for High Quality, High Efficiency Agriculture

Agricultural machinery project development is an important component of comprehensive agricultural development and is an important measure in China's development of high yield, high quality, high efficiency agriculture. In recent years with the impetus of reform and opening up, China's agricultural production has been converting from traditional farming methods to modern, intensive methods, and has been converting from giving priority to simply seeking yield to high yield, high quality, high efficiency agriculture. Thus it is necessary for us to adopt measures, further improve conditions for agricultural production, build up agricultural reserve strength, and make fully rational use of current resources to constantly improve comprehensive production capability. Presently in agricultural development

projects, vast numbers of peasants urgently demand mechanization and gradual replacement of the "human sea tactic" with mechanization. Typical data from Shandong proves that using machinery in agricultural development has the following good aspects:

First, it can greatly increase agricultural labor productivity. One tractor scraper can complete 500 square meters of land a day, the equivalent of 400 man days, and one Dongfanghong-75 tractor can reclaim 10 *mu* of wasteland in a day, the equivalent of 1,700 man days. So, using machinery in development can greatly shorten project times. For example, it was originally planned to use the work of 670,000 people for one month in clearing the silt from the Wenshui River in Anqiu County, Shandong Province. Later 180 tractors were used to clear the silt and it only took half a month to complete.

Second, use of machinery can greatly reduce costs. A day's manual labor to dig a cubic meter of land costs more than 10 yuan, but the cost of using machinery to excavate a cubic meter of land is less than 1 yuan. Last year in Shandong's Huang, Huai, Hai development, agricultural machinery completed more than 2,700 cubic meters of land, saving more than 13 million man days and 48.6 million yuan in investment.

Third, the developmental results from using machinery are remarkable. Generally, comprehensive mechanized development increases the average grain, cotton, or oil yield of medium- and low-yield farmland by 15 percent or more. Last year in Shandong's Xintai City, machinery was used to develop mountainous or poor and sandy land. More than 200 yuan was invested in each *mu*. That year the per peanut yield doubled; in only one year they recovered their total investment. Dongying City developed saline-alkali land at the mouth of the Huang He and *mu* planted in cotton yielded 75 kilograms of unginned cotton and *mu* planted in paddy yielded more than 400 kilograms. That year they recovered their investment. In other places the agricultural development project areas also experienced the same situation.

Panshan County in Liaoning has used machinery for three years to reclaim wasteland, and has expanded the area planted in paddy by 20,000 *mu* and the average per unit yield reached 500 kilograms and *mu* that were irrigated added 250 kilograms. Three years' aggregate added grain yield was 52.62 million kilograms for an increased income of 59.85 million yuan and a net income of 29.24 million yuan, realizing simultaneous increases in yield and results. All of this indicates that when agricultural administrative department project development entities use machinery in comprehensive agricultural development, there are many advantages and few risks; economic results and social results are quite remarkable. As soon as agricultural machinery development projects appear, they reflect their strong vitality. Now the fervor for agricultural machinery project development is flourishing throughout the

country. According to incomplete statistics of the Ministry of Agriculture, Agricultural Mechanization Department, by the end of 1992, in addition to Shandong Province, more than fifty agricultural mechanized development entities at various levels throughout the country have been organized, or preparations are being made to organize them. Shandong Province's development is the fastest. In addition to agricultural machinery project development groups and companies established at the provincial level, there have been nearly 80 project development entities established by counties and cities.

Seize the Opportunity To Move Toward the Market

Presently departments in charge of agricultural mechanization at various levels throughout the country while converting government functions, are actively creating conditions and have already established or are preparing to establish agricultural machinery project development entities to better serve local comprehensive agricultural development services and constantly improve their economic returns and social returns. In the current new reform and opening up situation, we believe that in doing a better job of agricultural machinery project development, we should consider the following issues:

First, we should move agricultural machinery project development toward the large market. In China's present agricultural machinery project development, many forms of management, including state management, collective management, and individual management, coexist. In the market economy, we should introduce competition mechanisms. Because there is a large amount invested in project mechanization, the projects are large scale, and the tasks are burdensome, state agricultural machinery project development enterprises should take the lead and collective enterprises and individual enterprises should supplement, so that the numerous economic components of agricultural machinery project development can develop together for a long time. With the expansion of agricultural machinery project development, we also should actively create the conditions and gradually initiate foreign agricultural project contracts and place agricultural machinery developmental projects on foreign markets.

Second, agricultural machinery project development should serve comprehensive agricultural development and at the same time should actively develop multiple types of management. From a regional perspective, the state is still concentrating present comprehensive agricultural development on doing a good job on the three large sections of Huang, Huai, Hai; the Northeast; and the Xinjiang Miantang Base. As far as content is concerned, comprehensive agricultural development should be primarily transformation of medium and low yield farmland. At the same time, it also should carry out such tasks as reclaiming wasteland, developing coastal shoals, improving saline-alkali land, and farmland irrigation projects to suit local conditions. After local comprehensive agricultural development is completed, based on the actual situation in each locality, they also can actively

participate in the municipal government's development of that locality's railroads, highways, ports, and piers. Shandong Province has experienced that agricultural machinery project development for general agricultural service takes up approximately three fourths of the year. We believe that only by closely combining the two can we serve comprehensive agricultural development and constantly improve our own economic results and social results.

Third, agricultural machinery project development must concentrate on major agricultural development projects and focus their organizational forces on fighting wars of annihilation. The experience of several localities proves that agricultural development projects generally are rather large scale and the areas that they administer are rather widespread. Although using mechanization saves a large amount of labor, it also is necessary to mobilize a rather large amount of financial and material resources to successfully complete the task and achieve good results. For example, the harnessing of a small river basin requires a prior overall plan. Only if it is harnessed in this way, can it produce the desired results. Because the harnessing is large scale, it must form the mainstay function of large project mechanization and in its organization it must have a unified plan for small agricultural machinery, including individual household tractors, and unified direction so that large, medium, and small machinery work together and the initiative of all aspects is fully utilized and every type of machinery is used.

Fourth, we must improve the leadership in agricultural machinery project development. Projects to construct farmland irrigation works and farmland capital construction have often been conducted for several years, but the agricultural machinery sector still is just beginning to organize agricultural machinery project contingents to engage in comprehensive agricultural development. Now the Ministry of Agriculture has officially established the China Huaguan Agricultural Machinery Project Development Corporation and various local agricultural machinery departments one after the other have established or are preparing to establish agricultural machinery project development entities and they are springing up like bamboo shoots after a spring rain. Agricultural machinery departments at every level must seize the present opportune time and establish agricultural machinery project development economic entities and at the same time they must closely coordinate with the agricultural sector and join in the powerful current of comprehensive agricultural development. They must win the attention of government leaders at every level and the support of planning and financial sectors, raise the necessary funds, and strive for a rapid start to agricultural machinery project development to establish way for agricultural production to rise to a new level of achievement.

Lumber Supply Becoming Scarcer

93CE0492C Beijing JINGJI RIBAO in Chinese
3 May 93 p 5

[Article by Yu Meilan (0151 5019 5695)]

[Text] Buying and selling were brisk in the lumber market, and prices were on the rise in the first two months of this year, which is usually the slack season for the lumber trade. Prices of logs in February rose 15.4 percent from what they were at the beginning of the year and were 40 percent higher than in the same period last year. Swarms of traders are traveling to and from coastal ports, inquiring about market prices, and even buying in panic. Demand for lumber is on the rise and obviously growing at an accelerating speed.

During the past two years, with the continuing growth of the national economy, society's demand for lumber has begun to increase gradually. In 1991, domestic consumption of lumber increased by 2 percent over the previous year, putting an end to the falling demand year after year during the soft period. In 1992, domestic consumption rose another 1.8 percent. In the first two months of this year, domestic consumption and demand increased faster. According to statistics, domestic consumption of lumber in January and February rose by 18 percent over the same period last year, and the rate of increase was 14 percentage points higher than the same period last year. The sharp increase in domestic lumber consumption means strong market demand. On the one hand, this year industrial production and investment in fixed assets will continue to maintain a fairly high growth rate, and the number of newly started construction projects also increased sharply last year, thus expanding the demand for lumber. On the other hand, the development in real estate, construction at the economic development zones, interior decoration of people's homes, and so forth will also grow this year. All this will inevitably increase the demand for lumber, and the increase is expected to be quite large.

The tightening lumber supply and demand situation is caused by the dwindling domestic timber resources. Ours is a country without many forests. In order to protect the forest resources and the ecological balance, the state has adopted a policy of limiting timber production. According to statistics, in 1988, China's timber production began to fall at a 5.9 percent annual rate. Last year, despite the obviously increased domestic demand, timber production continued to drop by 1.7 percent. Production once more dropped sharply in January and February of this year, down 19.7 percent from the same period last year, in striking contrast to the sharply rising demand. No significant increase in timber production is expected this year. Besides, domestic timber production consists largely of medium- and small-diameter logs. For

example, the commodity timber produced in Guizhou is 60-70 percent medium- and small-diameter logs. There are not enough large-diameter and fine-quality logs to meet demands.

Moreover, the timber supply is also diminishing in the world market, and it is becoming more difficult to import timber. In the past few years, to protect the environment and ecological balance, the world's major timber producing and exporting countries have one after another adopted measures to limit logging and timber exports. For example, in order to limit log exports, Indonesia has imposed high export duties. Malaysia has decided to reduce logging by 1.5 million cubic meters in Sarawak's major timber-producing area in 1993 and prohibit log export from Sabah. Owing to production limitation, log production in the United States will be reduced by 20 percent in 1992, and experts estimate that production will be further reduced in 1993 with limitations being imposed on log export. Owing to the diminishing timber resources in the world market, import prices are rising sharply. For example, the price of U.S. pine logs rose by 60 percent last year, and will continue to rise this year. The price of Malaysia's Sarawak logs has increased from \$195 last year to \$260 presently. Therefore, competition will intensify between China, Japan, Korea, and other importing countries in the world timber market, having an impact on the domestic market.

Due to rising demand and diminishing resources, the quantities of lumber in stock have also decreased rather quickly in the past two years. China's lumber inventory dropped by 16.6 percent in 1991, and 24.8 percent in 1992. The falling trend continued in the first two months of this year, and by the end of February, the lumber inventory dropped 7.3 percent from what it was at the beginning of the year. The turnover time also shrank gradually from 3.6 months at the end of the last year to 2.8 months, hitting the lowest level in history. Our ability to use what we have in stock in order to regulate market supply and demand has obviously been weakened.

The above-mentioned circumstances indicate that domestic timber demand will continue to rise this year, but it is very difficult to increase domestic production. If timber import cannot be increased significantly, the gap between supply and demand will grow wider, and timber stocks will continue to drop. In addition to the factors of transport difficulties and consumer psychology, the timber supply and demand situation will become more tense.

Therefore, the departments concerned must strive to organize timber imports, further increase the timber utilization rate, step up the effort to save timber and to find wood substitutes, and maintain a balance between timber supply and demand.

Judges' Status in Judicial System Discussed

93CM0308A Shanghai FAXUE [JURISPRUDENCE]
in Chinese No 137, 10 Apr 93 pp 45-47

[Article by Yang Kaixiang (2799 7030 3276), East China College of Political Science and Law: "A Comparative Study of Judges' Status"]

[Excerpt] [Passage omitted] First, China's most important legal source is the many laws and rules and regulations drawn up by the legislative organs. Based on these laws and regulations, the judicial organs can exercise their judicial power independently. In other words, in a lawsuit, judges (generally referred to as judicial officers in China, but because they serve the same function as judges, they are referred to as judges here; same below) mainly rely on laws and regulations to make his ruling. In order to emphasize this concept of legal basis, the three major procedural laws have specifically stipulated the basic principle of making "facts the basis and laws the criteria." At the same time, legislative guiding ideology also puts strict limitations on how judges may interpret the law and set legal precedence. The purpose of all these is to preserve the definitiveness of the law and prevent judges from exceeding legal bounds. In this sense, the status of China's judges is basically similar to that under the continental system. That is, judges assume the role of administrator of justice within the legal structure and are bound by laws and regulations in the judicial process; they have very limited judicial freedom.

Second, from the point of China's legal structure, the judges' role is less well-defined. In analyzing the civil and administrative procedures, we will find that China's legal structure closely resembles that of an equilateral triangle: the plaintiff and the defendant are at opposite ends, and the judge is the referee in the middle. Except for the fact that he must obey the law and is bound by the law as described above, the judge is not pressured by the parties to the lawsuit. But this is not so in a criminal case. According to China's criminal procedure, when appearing in court to support public prosecution, besides prosecuting the crime, the procuratorates which are in charge of prosecution must also exercise their legal supervision functions. They are not parties to the case, but their rights and privileges exceed that of the parties to the case, so that the structure of criminal litigation takes on the shape of a slanted triangle. This structure has an invisible effect on the judges, and consequently they tend to lean prematurely toward pursuing the crime, and besides being bound by the law, the judges are also invisibly bound by the public prosecutor; consequently, the judges' supposedly impartial rulings are in fact biased.

Third, whether we compare China's system of appointing judges to that of the continental system or the British or American systems, our system is more "random." The people's courts are a part of the state organ, and judges are a part of the state's government functionaries; they are no different from other state

cadres in identity and status. It requires no special process for someone to become a judge. Generally, law school graduates, demobilized soldiers seeking a new profession, and cadres of other state organs make up the bulk of potential judges. There is no special training or test. After entering the court system and after much practice, they will have the experience and will automatically become assistant judicial officers or judicial officers and can then handle cases independently and become qualified judges. The qualifications of judges are uneven; experience plays an important part. In addition, their salary is low; they have little social status, and in society as a whole, and even within the legal profession, they do not play a "remarkable" role. This is another important factor undermining the judges' status in China.

Finally, China's traditional legal culture has created the social atmosphere that determined the judges' status.

The foundation of Chinese culture is the concept of "rule of etiquettes" and the concept of "no litigation." People generally believe that "in every aspect of life, there is a fixed rule in the relationship between people." Time has turned external rules into intrinsic habits. People live and "conduct themselves" within the "provincial" order of "rule of etiquettes." If a lawsuit is inevitable, it is because traditional rules have been broken. This is the Chinese traditional legal concept, and because of that, if there is a conflict or dispute, people do not usually think of the judges or the law first but will consider non-litigation approaches such as personal revenge, reconciliation, or mediation. Only as a last resort will one turn to the law (such as relying on pursue and capture by feudal official in the old days and criminal procedure in modern days,) and in most cases, what the two sides want from the judge is either special clemency or expediency in settling the case. People only have "temporary" contact with the judge in a lawsuit, and afterwards, they will completely forget about him. Clearly, without recognition and admiration from the parties involved in a lawsuit, the judges cannot display their legal authority and in turn cannot attain legal status. Looking in from the outside, judges are but a tool that decides what is right and wrong.

In addition, there is another important element that affects judges' status in China, and that is administrative interference. This is also a unique Chinese phenomenon, clearly different from the continental legal system and the British and American systems. This kind of interference comes mainly from two sources: One, the judicial committee and the leaders within the court system exercise their judicial power indirectly. Generally, when a difficult, important, or thorny case enters the process controlled by the courts, a preliminary decision is made after collective discussions, so that the substantive problems are solved even before the trial begins, and the judge makes his ruling based on those decisions. In recent years, this practice has caught the attention of scholars and theoreticians who are working together to

cure this phenomenon of "judgment before trial," "decision before question," and "seeking instruction before trial and submitting report after ruling." Two, leaders of certain administrative departments put pressure on the judges in "leader instructed" or "leader entrusted" cases. In academic circles, these are called "invisible law." Faced with these cases, judges are bound in many ways: There are written laws and regulation, and there are forces outside of the law, and it is very difficult for them to exercise independent judicial power and even more difficult for them to have judicial freedom. Moreover, the above two kinds of extra-law interferences have resulted in many false charges and wrongful cases, which further undermine the judges' image and authority.

New Yellow Peril: Prostitution Follows Prosperity

93CM0248A Hong Kong TANGTAI
[CONTEMPORARY] in Chinese No 24, 15 Mar 93
pp 52-53

[Article by Hua Hua (5478 7520): "Does Prosperity Necessarily Bring Prostitution?"]

[Excerpts] As reform and opening have gradually brought Mainland Chinese to sneer more at poverty than at prostitution, prostitution has spread rapidly, which phenomenon Mainland Chinese are calling the "yellow peril."

Under the impact of "the theory of a socialist market economy," the "chicks" (prostitutes), who are roosting in all Mainland Chinese cities, have also begun to develop commodity-economy ideas. Such "chicks" in luxury hotels can demand a one-time price of 1,300 yuan, which prostitution cost can be negotiated if one thinks it too high.

For instance, such "chicks" pay 800 yuan a day rent for a one-room, one-foyer apartment, 100 yuan a day each to two security guards in the downstairs lobby, 100 yuan a day each to two additional upstairs security guards, at least 300 yuan a day for food, and other expenses, such as medical care, clothes, and cosmetics. The high-priced prostitutes who rent apartments in luxury hotels for prostitution are high-class indeed, with many such "chicks" really being college or even graduate students, many of whom carry beepers or "cellular phones," making them even higher in cost. [passage omitted]

Almost all of the rooms with a view of the sea in Haikou, Hainan are rented to "chicks" from the Sichuan-Hunan area. These "Hainan chicks" have three business prime-times: 1) 1600 in the afternoon, when their clients on business trips abroad have just returned from a day of rushing about, to eat a bowl of "Hainan chicken" to ease their day's fatigue. 2) About 2200 in the evening, which is a good time to go to sleep after making love. 3) About 0500 in the morning, when most clients are well-rested and have recovered their spirits, making it a good time to make love until daylight.

A mainland friend of mine staying in a hotel on a visit to Shenzhen from Beijing, actually received about a dozen phone calls one night from "chicks," asking "Good evening sir, how are you? You have worked really hard! You must be very tired, so how about if I join you for some relaxation?" He later termed these nighttime calls, which kept him awake most of the night, "chicks chirping in the middle of the night."

Most of these prostitutes are motivated by the money, and include peasants, workers, cadres, office workers, and students from teenagers to 60-plus years of age. One from Chengdu, Sichuan worked as a prostitute in Shenzhen for three years, earned over 400,000 yuan, then gave it up and returned to Chengdu, where she opened a factory and an individual commercial enterprise. Many young girls, as well as young boys, envied her. The young girls' reason for envying her was that: What did she do wrong? She accumulated money very easily without stealing it, returning in a few years to take up a respectable profession, without any impact on her future.

The numbers show that while prostitution used to be concentrated mostly in luxury hotels, it has now spread and become classified, with high-priced "unlicensed" prostitutes soliciting clients in luxurious five-star bars, hotels, and related amusement sites and dining and residential areas, mid-range ones soliciting customers in restaurants, coffee shops, dance halls, and karaoke clubs scattered all over, and low-class ones working out of small hotels, streetside stalls, and barber shops. As to prostitution sites, hotels make up 34.2 percent, rented rooms 30.6 percent, residential housing 9.3 percent, roadside stalls 8 percent, luxury housing 4.9 percent, streets 4.6 percent, cars 2.5 percent, barber shops 2.1 percent, and other places 8 percent. With such a long "battlefront," so many locations, and such a broad scope of business, public security officers are left powerless. [passage omitted]

A survey shows that from 1985 to 1992, the city of Shenzhen alone discovered 20,641 cases of STD [sexually transmitted disease], including 7,235 female and 13,386 male. It needs to be noted that STD has already infected innocent children, with Shenzhen alone having discovered 54 under-age-10 children with STD.

Statistics from the Shenzhen Public Security Bureau show that the makeup of prostitute clients is 41.4 percent from outside of mainland China and 59.6 percent mainland Chinese, including 5.9 percent peasants, 3.9 percent cadres, 11.1 percent office workers, 1.9 percent factory managers (directors), 15.2 percent individual entrepreneurs (including taxi drivers), and 21.6 percent unemployed, showing that the makeup of prostitute clients is spreading to all levels of society.

As to this yellow peril' on Mainland China, there is much debate with little consensus. Some say that this yellow peril' does not affect the overall situation, with stability being expressed mainly politically, so that except for being offensive, this yellow peril' has no other harmful

impact. Others say that prostitution is a historic phenomenon of international proportions, so that a little more yellow peril' during the current reform, opening, and economic invigoration is not necessarily alarming. Still others note that as the strong reemergence of the yellow peril' would be hard to root out anyhow, there would be no sense in wasting energy in a drive against it. [passage omitted]

Moreover, it is said that the growth of the sex trade can stimulate the economy, by invigorating the tourism, catering, amusement, and taxi industries, with the experience of the "four little dragons" showing that "poverty is sneered at more than prostitution," and their "chicks" now becoming increasingly younger. I do not know, did Hong Kong and Taiwan need "prostitution" first to become "prosperous"?

NORTHEAST REGION

Work Report of Liaoning People's Congress Standing Committee

93CE0491A Shenyang LIAONING RIBAO in Chinese
10 Mar 93 pp 1, 3

[Work report by Liaoning Provincial People's Congress Standing Committee Vice Chairman Yu Xiling (0060 1585 1545) at the First Session of the Eighth Liaoning Provincial People's Congress on 2 March 1993: "Work Report of the Liaoning People's Congress Standing Committee"]

[Text] Fellow delegates:

I have been asked by the Seventh Provincial CPC Standing Committee to report on the work of the Seventh Provincial Standing Committee over the last five years for your consideration.

The five-year term of the current CPC Standing Committee has been one in which Liaoning has overcome a host of difficulties and continued to make bold advances along the road of socialism with distinct Chinese characteristics. The Standing Committee has been guided by Comrade Deng Xiaoping's theory on developing socialism with distinct Chinese characteristics, held unswervingly to the party's basic line of "one China, two basic points," acted on the basis of the work of the Sixth Liaoning CPC Standing Committee, under the leadership of the Provincial Party Committee, and with the support of the Provincial Government and Liaoning's courts, procuratorate, and all municipal, county, and district people's congresses and their standing committees, conscientiously exercised all of our constitutional and legal duties, worked democratically, in accordance with the law, and positively, better displayed our role as a local organ of state power, and contributed to Liaoning's socialist modernization and the successful development of all causes.

During these five years, we have drawn up, considered, and passed 82 local laws and regulations, including 30 that were considered and drawn up, seven that were amended, and 45 that were considered and passed. These local laws and regulations included 40 in the field of economics, 15 in the area of education, S&T, culture, and public health, seven involving public security adjudication, 10 involving the development of state power, four concerning social activities, and six on autonomy of nationalities. They have changed Liaoning's lack of legislation in certain areas, providing legal guarantees for our economic and social development. The Standing Committee has heard and considered 100 work reports in pertinent fields by our "one government (executive) and two (judicial) bodies (the courts and the procuratorate)," of which 48 were in the field of economics, 16 were in the area of education, S&T, culture, and public health, 16 involved public security adjudication, 13 concerned Chinese nationals living abroad, and seven were in other fields, as well as making 37 resolutions and decisions on

significant matters throughout Liaoning in areas such as political, economic, and social, and on key issues of public concern. In these five years, we have organized seven CPC-focused inspections, 24 special inspections, and six NPC [National People's Congress] inspections of Liaoning, with provincial CPC Standing Committee and all special committee members conducting large-scale inspections, examinations, and surveys, which have enhanced the legal and work oversight of our "one government and two bodies," and promoted the socialist democracy and legal development of Liaoning Province. During these five years, the Standing Committee has legally appointed and dismissed 489 government functionaries, of whom 95 were provincial government employees, 351 were court and procuratorate staff, two were CPC special committee members, and 41 were Standing Committee functionaries.

The current Standing Committee has exercised its authority in accordance with the law, reinforcing our work mainly in the following areas.

I. We Have Adhered to the Four Basic Principles by Bringing Our Functions Into Full Play To Ensure Social and Political Stability.

Sustained economic growth and national prosperity and development require a stable and united social and political climate. Without social and political stability, it would be impossible to achieve reform, opening, and economic development. In the last five years, the Standing Committee has maintained adherence to the four basic principles as our country's founding principle, by making the maintenance of political and social stability our prime focus, paying regular attention to certain key matters and issues affecting stability and unity, conducting surveys and studies, organizing inspections, focusing on legislation, enhancing oversight, expediting the resolution of issues, and promoting social stability. In 1988, directed at the political and economic conditions of the time, the Standing Committee promptly drew up the "Resolution on Conscientiously Studying and Implementing the NPC Standing Committee's (Decision on Strengthening Democracy and the Legal System To Maintain Stability and Unity and Ensure the Success of Reform and Development)" which, combined with Liaoning's realities, presented specific demands in the areas of developing socialist democracy, reinforcing the socialist legal system, and consolidating and developing a stable and united political order. During the political disturbances in the spring and summer of 1989, the Standing Committee firmly supported the correct decisions made and resolute actions taken by the Party Central Committee and State Council by taking a clear-cut stand against the turmoil, drawing up the "Resolution on Thoroughly Curbing the Turmoil and Consolidating and Developing a Stable and United Political Order," and calling on the people of all nationalities throughout Liaoning to oppose the turbulence, preserve the sanctity of the constitution and the law, and maintain socialist democracy and legal institutions, which played a positive role in preserving Liaoning's social

stability and ensuring the success of improvement, rectification, and intensification of reform. The Standing Committee also promptly drew up the "Liaoning Regulations on Applying the (PRC Law on Assemblies, Parades, and Demonstrations)," which provided a legal basis for guaranteeing citizens the correct exercise of their democratic rights and preserving social stability.

Doing a good job of maintaining public order and considering the immediate interests of the masses are also prerequisites for the success of reform, opening, and economic development. During these five years, the Standing Committee has made public order its major focus in ensuring social stability and economic development, through hearing and considering the pertinent public order work reports by our "one government and two bodies," organizing CPC delegates and Standing Committee members to conduct inspections, investigations, and surveys, and inviting some CPC delegates to criticize the overall public-order control work of our "one government and two bodies," which has enhanced the oversight of our public-order control work. In 1991, the Standing Committee drew up the "Resolution on Strengthening Overall Public-Order Control Work" and, in 1992, when organizing a CPC delegate inspection, also drew up the "Resolution on Further Improving Overall Public-Order Control Work," presenting further demands for Liaoning's overall public-order control work. The Standing Committee also drew up public-order legislation, such as the "Liaoning Regulations on Curbing Gambling" and the "Liaoning Rules on Encouraging and Protecting Personnel Who Are Ready To Take Up the Cudgels in the Just Cause of Preserving Public Order," which played positive roles in cracking down on gambling, wiping out repulsive social phenomena, and mobilizing the masses to play an active role in public-order control work.

II. We Have Maintained Our Focus on Economic Development in Order To Ensure and Promote the Success of Reform, Opening, and Economic Development.

The Standing Committee has discovered through practice that local CPC work must focus on the development of democratic legal institutions to promote economic development. Our Standing Committee work has adhered to bringing socialist democracy into full play, by organizing the people to exercise their democratic rights as the masters of their own fates, mobilizing the initiative and creativity of the masses in developing socialism, and making enhanced local legislation and legal oversight a key part of our agenda, which have provided fine legal guarantees and a good social climate for economic development. During these five years, the Standing Committee has focused on reform, opening and economic development, with 48.8 percent of all of the laws and regulations that we drew up and passed in the five years being in the field of economics, such as the

"Liaoning Regulations on Labor Unions in Foreign-Invested Enterprises" and the "Liaoning Rules on Economic-Contract Contracting by Agricultural Collectives" that we considered and passed in 1990, the "Liaoning Regulations on Commodity Quality Oversight" and the "Liaoning Rules on Crop and Seed Management" that we considered and passed in 1991, and the "Dalian Economic and Technological Development Zone Regulations" that we considered, passed, and amended in 1992, all of which have played a positive promotional role in strengthening Liaoning's macroeconomic regulation and control and economic order, speeding up reform, expanding opening, promoting sustained and steady agricultural development, and improving the operation of our large- and medium-sized enterprises. During these five years, 48 percent of all government work reports heard and considered by the Standing Committee have been in the field of economics, with 11 resolutions and decisions having been made on key issues in economic work, such as the opening to the outside world of the Liaoning Peninsula, the implementation of the "Enterprise Law," the invigoration of Liaoning through S&T, the development of agriculture, the legalization of taxation, the two increases and two savings, the lightening of peasant burdens, and the development of township enterprises. The Standing Committee has also focused on enhancing and improving examination and oversight of national economic and social development planning and budgeting and accounting enforcement. Through mid-year surveys and inspections, we have heard, considered, and examined government reports on planning and budgeting, making certain positive suggestions, criticisms, and recommendations. As to the application of economic laws and regulations and certain key matters affecting economic development, the Standing Committee has organized NPC delegates and Standing Committee members to conduct certain special inspections, examinations, and surveys, which have played an oversight role and promoted economic development.

Since the beginning of 1992 in particular, the Standing Committee has conscientiously learned from the spirit of Comrade Deng Xiaoping's key speeches and the Politburo's Plenary Session, by freeing up our thinking, converting our ideas, clearing out "leftist" ideas and thinking that obstruct the development of CPC work, further asserting our ideological focus on economic development, and clarifying that all CPC work must serve to push speeded up reform, opening, and economic development to new heights. The Standing Committee has acted according to the principle of the "three contributions," by inventorying 95 previously drawn up local laws and regulations, and making suggestions and resolutions on ways to deal with them. In the first half of 1992, the 28th Session of the Standing Committee heard and considered the provincial government's "Report on Further Freeing Up Thinking, Intensifying Reform,

Expanding Opening, and Accelerating Economic Development." In the last half of 1992, the Standing Committee focused on inspecting and examining the implementation throughout Liaoning of the "Enterprise Law" and the State Council's "Regulations on the Conversion of Operating Forces by State Industrial Enterprises," by hearing and considering provincial government work reports on the enforcement of the "Enterprise Law" and these "Regulations," making the pertinent resolutions, demanding widespread and thorough study, publicity, and enforcement of these regulations, and taking further effective steps to achieve enterprise independence, conscientiously convert government functions, and intensify related reforms, which played a key role in improving the operation of Liaoning's large- and medium-sized enterprises and speeding up our economic development.

III. We Have Promoted the Development of All Causes, Such as Education and S&T, in Order To Enhance Our Development of the Socialist Spiritual Civilization.

The Standing Committee has exercised its authority focused on economic development, persistently adhered to the principle of rigorous emphasis on developing both the socialist material and spiritual civilizations, and actively pushed forward with the development of all Liaoning causes, such as education, S&T, culture, public health, minority nationalities, overseas Chinese affairs, religion, and family planning. In order to promote S&T advances and spur S&T to become oriented toward the major battlefield of economic development, in the last five years we have drawn up the "Liaoning Regulations on Technology Market Management," considered and approved rules on S&T advances drawn up by cities, such as Shenyang and Dalian, drawn up the "Resolution on Relying on S&T Advances To Invigorate Liaoning's Economy," and inspected and investigated the implementation of laws and regulations, such as the "Technology Contract Law" and the "Patent Law." In order to vigorously develop education, give priority to the strategic importance of educational development, and raise the level of thought, morality, and science among the people of all nationalities, the Standing Committee has amended the "Liaoning Rules on Nine-Year Compulsory Education," focused on enhancing primary education, expanded vocational education, and conducted many surveys and studies of issues, such as reinforcing ideological and political indoctrination. In the interests of the prosperity of socialist culture, the SC has drawn up the "Liaoning Regulations on Book and Press Publication Management," and amended the "Liaoning Rules on Culture Market Control" and the "Liaoning Regulations on Radio and TV Equipment Protection," all of which have played positive roles in enhancing our culture-market control, promoting the anti-"pornography" and "six vices" campaigns, and wiping out repulsive social phenomena. The Standing Committee has also drawn up the "Rules on Preventing Noneugenetic Births," amended the "Family Planning Regulations," and made the "Resolution on Further Reinforcing Family Planning To Strictly Control Population Growth," which have further enhanced our family planning

inspection and oversight, and made positive contributions toward the realization of Liaoning's population-control goals, the adherence to eugenic childbearing, and the improvement of our population quality.

The Standing Committee has considered and passed autonomy and special regulations on minority nationality autonomous counties, and organized inspections and investigations of the enforcement of the "Regional National Autonomy Law," which have enhanced our oversight of minority nationalities and religious work, and steadily reinforced the close unity among the people of all nationalities throughout Liaoning.

IV. We Have Gone All-Out To Promote Rule by Law in Liaoning by Enhancing Oversight and Reinforcing Our Socialist Legal System.

Rule by law in Liaoning is the specific practice in Liaoning of the Party Central Committee's principle of "Rule by Law in China." It has been of key significance to our further reinforcing Liaoning's democratic legal system, preserving social stability, and speeding up reform, opening, and economic development. In our all-out development of universal legal education, Liaoning's Benxi City took the lead in initiating rule of the city by law in 1986, after which 14 cities and most counties and districts launched rule-by-law campaigns, which gradually evolved a macroclimate of rule by law. The Standing Committee acted on the basis of conscientiously summing up and fully affirming the experiences of all areas in initiating universal legal education and rule by law, by drawing up in May 1991 the "Resolution on In-Depth Legal Publicity and Education, and Initiation of Rule by Law in Liaoning," after which we considered and passed application plans for administration by law of the provincial government and for the resolution on the rule of Liaoning by law for the courts and procuratorate, which further promoted the in-depth development of universal legal education, steadily drove all Liaoning causes and work onto a legal track, and elevated our legal institutions to a new stage.

The crux of rule by law in Liaoning is to make all causes and work operate strictly according to law. In order to achieve this objective, the Standing Committee made its resolution on rule by law in Liaoning, after which we passed, publicized, and implemented the "Administrative Procedural Law" and oversaw and promoted administration and rule by law of our "one government and two bodies," as well as emphasizing oversight of enforcement, inspection, and public security adjudication. In 1989, the Standing Committee resolved to launch an all-province general enforcement inspection, by organizing and guiding state organs at all levels, people from all walks of life, and the broad masses, particularly leading cadres, the enforcement sector, and enforcement personnel, to conduct a general investigation of the enforcement of laws and regulations. This general enforcement inspection lasted almost a year, gradually clearing up enforcement problems throughout Liaoning, emphasizing the investigation and redress of a

group of legal violations, enhancing the legal consciousness of the vast numbers of cadres and the general public, and promoting Liaoning's legal institutions. Based on this general enforcement inspection, the Standing Committee also reinforced its regular enforcement inspections, by giving yearly priority to investigating the enforcement of several key laws and regulations, for each of which the Standing Committee heard and considered one or two reports from our "one government and two bodies" on the enforcement of laws and regulations. During these five years, we have inspected and investigated the enforcement of a series of key laws and regulations, such as the "Administrative Procedural Law," the "Enterprise Law," the "Land Management Law," the "Compulsory Education Law," the "Regional National Autonomy Law," and regulations drawn up by the CPC Standing Committee, such as the "Culture Market Management Regulations," the "River Course Management Rules," the "Regulations on Protecting the Legitimate Rights and Interests of Consumers," the "Rules on the Protection of Minors," and the "Regulations on Peasant Burdens and Labor Management," which have ensured the enforcement of our laws and regulations. We have enhanced our oversight of public security adjudication, which has been a key link in developing our legal system. The Standing Committee has promoted and overseen the implementation everywhere throughout Liaoning of the "Temporary Provisions on the Oversight and Judicial Work of Local People's Congress Standing Committee Members at All Levels Throughout Liaoning," while requiring the hearing and consideration according to provision of pertinent work and special reports by our "one government and two bodies," the prompt presentation of ideas and suggestions and, through inspections, investigations, and surveys, oversight of the correct application of laws and regulations by the government and the two (judicial) bodies, a legal crackdown on all illegal activities, and a conscientious punishment of all violations of law. The Standing Committee has made the hearing of civil appeals and charges a key part of its enhancement of judicial oversight. During the five years, it has received 26,255 letters and visits from the public. Through redressing and dealing with severely mishandled cases, such as that in Taian County of three lawyers and several cadres and police violating discipline to the extent of causing injury and death, which had such a great impact, we have effectively encouraged public security and judicial organs to act in strict accordance with the law, reinforced our enforcement corps, steadily improved our enforcement quality, maintained the sanctity of the law, and protected legitimate civil rights and interests.

V. We Have Reinforced Delegate Work and the Establishment of Grass-Roots Political Power by Promoting the Development of Socialist Democratic Government.

The crux of China's socialist democracy is that the general public "is the master in running its own country and enjoying broad democratic rights." In order to fully reflect the public will, conscientiously exercise its own

functions, and ensure the people the right of being the master of their own destinies, the Standing Committee has paid constant attention to maintaining links with delegates and bringing the role of delegates into full play. During these five years, the Standing Committee has constantly improved and perfected its methods and measures for keeping in close touch with delegates, by conscientiously hearing dissent from delegates and the general public, which has strengthened our ties with people's delegates and the general public. In addition, we have held delegate-proposal forums and delegate work-experience exchange conferences, actively publicized and implemented the "Delegate Law," and steadily reinforced and improved our handling of motions by delegates, suggestions, criticisms, and views, which has further improved our state-organ work, by keeping close ties among the party, the state, and the general public. During these 5 years, the Standing Committee has considered and dealt with 28 delegate motions passed on by the CPC Presidium, four of which legislative proposals were drawn up as local legislation through Standing Committee consideration and approval; we have received 2,490 suggestions, criticisms, and recommendations presented by delegates after study and handling by pertinent organs and organizations, which have resolved a number of longstanding key unresolved problems of concern to delegates and the public; as to "hot" topics and key suggestions reported by delegates as being of widespread public concern, such as public order, market prices, peasant burdens, living conditions of employees in losing enterprises, education costs, salary arrears in rural public schools, and minority nationality, overseas Chinese, and religious work issues, the Standing Committee has organized certain special inspections and investigations, some of which have been put on our legislative agenda, brought corresponding resolutions, and promoted problem resolution and work development. In the last several years, people's congresses at all levels throughout Liaoning have initiated delegate-discussion activities, which have brought the role of delegates into fuller and more effective play. The Standing Committee has affirmed these new delegate-work experiences, by inviting more nonvoting delegates to Standing Committee meetings in 1992, and asking them to consider and discuss the relevant work of the government and the two (judicial) bodies, in order to bring the role of delegates into fuller play.

A key task and mission for our people's congress system, as China's basic political system of establishing, consolidating, and improving democratic government, is to do a good job of building local political power at all levels, particularly at the grass roots. The current Standing Committee organized and directed the elections of county and township people's delegates in 1989 and 1992. Under the leadership of party committees at all levels, we brought democracy into full play, acted strictly according to law, and elected people's delegates to the public's satisfaction, as well as county and township group leaders who met the needs of cadres during the four modernizations, which consolidated our people's

democratic regime, and enhanced the democratic legal concepts and sense of being the masters of the people of all nationalities. The Standing Committee summed up the experience of some townships in setting up township people's congress presidium chairmanships, by requiring in the 1989 county and township elections the general establishment of township people's congress presidium standing chairmen and secretaries, and in 1990 holding an all-province township people's congress presidium work experience exchange conference, and considering and passing the "(Trial) Work Regulations for Township People's Congresses in Liaoning." This enhanced our township people's congress and congress presidium work. At present, 95 percent of townships throughout Liaoning have set up township people's congress presidium professional standing chairmen, and 90 percent of township people's congress presidiums have gone into full operation. Practice has proved that enhancing and improving our township people's congress presidium work is a key step in bringing the role of delegates into full play and building real socialist democratic government. It is of key significance in adhering to and improving the people's congress system, in order to ensure that the people are the masters of their fate. Meanwhile, the Standing Committee has overseen and investigated the enforcement of the "Peasant Committee Organizational Law" and the "Urban Neighborhood Committee Organizational Law," and drawn up application provisions, which have further promoted the establishment of grass-roots democratic government.

VI. We Have Further Reinforced the Standing Committee by Steadily Improving Our Work Quality.

Reinforcing the CPC Standing Committee is both a key condition for improved CPC work and a major link in adhering to and improving the people's congress system. In order to adapt to the needs of the new conditions and missions of reform, opening, and in-depth development of our democratic legal institutions, the Standing Committee has steadily reinforced itself. In these five years, the Standing Committee has paid great attention to studying and enhancing ideological development. In order to adhere to a correct CPC orientation and exercise our functions better, the Standing Committee has adhered to a planned and realistic study of basic Marxist theory, the party's line, principles, and policies, and the Constitution and the law, particularly the theory of building socialism with distinct Chinese characteristics, by constantly freeing up our thinking and transforming our concepts, so as to adapt to the higher demands placed on CPC work by the new conditions of reform, opening, and development of a socialist market economy. The Standing Committee has also fully summed up Liaoning's basic experiences in a decade of local CPC Standing Committee work, by more conscientiously adhering to and relying on the leadership of the party, exercising our authority in accordance with the law, and adhering to and improving the people's congress system. The Third Session of the Seventh CPC elected the five special committees of the CPC Internal

Affairs Judiciary Committee, the Finance and Economics Committee, the Rural Economy Committee, the Education, Science, Culture, and Health Committee, and the Chinese Nationals Living Abroad Committee, as well as adding offices and organs such as a research and a legal system office, which further reinforced and improved the organization of the CPC and its Standing Committee. The establishment and initiation of work by each of these special committees have raised our Standing Committee work quality and efficiency. In recent years, in areas such as studying, considering, and drafting motions, hearing special work reports by our "one government and two bodies," conducting enforcement investigations, and carrying out inspections, surveys, and studies, they have helped the Standing Committee by doing a large amount of excellent and effective work, which has played a key role in reinforcing CPC and Standing Committee work. Drawing up better regulations is a key item in enhancing Standing Committee work. In the last five years, the CPC and its Standing Committee have drawn up laws and regulations such as the "Standing Committee Rules of Procedure," the "Regulations on Strengthening Ties to Delegates," the "Congress Rules of Procedure," and the "Standing Committee Work Regulations," as well as a series of work regulations such as chairman conference regulations, rules of procedure for all special committees, and conference regulations. These laws and regulations have further ordered, standardized, and legalized CPC and Standing Committee work, which has contributed to a better display of democracy and higher work efficiency and quality. The Standing Committee has initiated thorough investigations and studies, constantly reinforced the theoretical research on and publicity of CPC regulations, reinforced in various forms its ties to municipal and county (district) people's congresses and their standing committees, and launched certain joint inspections, investigations, and surveys, which has made our Standing Committee work more effective.

In addition, the Standing Committee has also paid attention to foreign affairs work by visiting countries such as Japan, (North) Korea, and the former Soviet Union, and establishing links with legislatures in friendly cities in countries such as Japan, (North) Korea, Italy, and Romania, which have promoted mutual understanding and cooperation with these countries, and contributed to closer friendship between the peoples of all countries.

A review of our work over the last five years shows that we have gained the following understandings about improving our CPC Standing Committee work: 1) We must adhere to and rely on the leadership of the party, by conscientiously studying and implementing the Party Central Committee's line, principles, and policies, as well as closely understanding the plans, decisions, and intentions of party committees at the same level, being adapt at turning party decisions and stands into national will through legal procedures, taking the initiative to obtain the leadership of party committees over CPC

work, and using the exercise of the authority granted to us by the state to realize and consolidate the party's legal leadership standing. 2) We must focus closely on the key task of economic development, by giving priority to building a democratic legal system, conscientiously exercising all authority granted by the constitution and law to the CPC and its Standing Committee, exercising our local legislative authority, exercising legal and work oversight over our "one government and two bodies," and deciding that key matters of our administrative region and appointments and dismissals of government cadres all be focused closely on the key item of economic development, in order to provide a fine social climate for economic development, and ensure that the Party's basic line is smoothly enforced. 3) We must take an active initiative to improve our service to delegates, by helping the people's delegates to know legislative details, better participate in political and legislative affairs, represent the people in exercising their right to run state affairs, and exercising the function of the people being the masters of their own fate, which not only will promote socialist democratic government and further improve the people's congress system, but also will better enable the Provincial CPC and its Standing Committee to become the key democratic means of maintaining ties with the public, reflecting the public will, and resolving conflicts, in order to strengthen the party's ties to the masses. 4) We must do a conscientious job of study and research by bringing the CPC Standing Committee advantages of being able to conduct thorough grass-roots studies and research into full play, emphasizing the need for the CPC to make in-depth studies of key issues of the most concern to the public, seeing conditions clearly, dealing with problems correctly, and acquiring first-hand data, all of which are necessary to exercise our authority correctly and raise our legislative quality. 5) Also, we must act strictly in accordance with law, while freeing up our thinking, making active explorations, constantly developing and progressing, being guided by Comrade Deng Xiaoping's theory on building socialism with distinct Chinese characteristics, speeding up our development of a socialist market economy, steadily overcoming the "leftist" ideological influence, converting our thinking, and developing a stronger spirit of development and progress, all of which will be necessary to keep up with new conditions, learn about new issues, and steadily improve our CPC work quality.

While the Standing Committee has achieved certain work successes in the last five years, we are still subject to many ideological gaps and inadequacies in comparison to the demands placed on us by the constitution and the

law, public aspirations, and developing circumstances: Our thinking is still not liberated enough, and we are short on an exploring and creative spirit; we are not sensitive enough to new conditions and issues, with our ideology and work not keeping up with developing circumstances; our oversight of the government, the courts, and the procuratorate is inadequate, with our oversight substance, limits, and forms still being restricted mainly to hearing and considering reports, and the force, effectiveness, and impact of our organized people's delegate inspections, investigations, and studies all falling short of the demands set by the constitution and the law; the ties among the Standing Committee and all municipal and county (district) people's congresses are still not close enough, and we do not promptly sum up and disseminate new experiences created in grass-roots work; and our theoretical study of the people's congress system still lags behind our work practice.

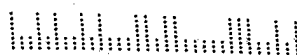
Fellow delegates! Liaoning's new CPC Standing Committee is about to come into being. The new CPC and its Standing Committee will face the new situation of a faster pace of reform, opening and modernization, with their reform and development tasks of the 1990's being both inspiring and heavy. Comrade Jiang Zemin called on us in his report to the 14th CPC Congress to make clear advances in the areas of developing socialist democracy and reinforcing the socialist legal system, to further improve the people's congress system, to enhance our legislative and oversight functions, and to bring the role of the CPC into fuller play. In January 1992, the Provincial Party Committee held an all-province CPC working conference, summing up the experiences of party committees at all levels in enhanced leadership of CPC work, and setting forth CPC development missions and directions. We hope that: the new CPC Standing Committee will act in the spirit of the 14th CPC Congress and under the leadership of the Provincial Party Committee, by being more ideologically liberated and having a greater spirit of development and progress; in exercising all of its functions, such as legislative and oversight, will act more dynamically, in order to achieve clearer results; and will make more contributions in further adhering to and improving the people's congress system and bringing the role of the people's delegates into full play. We are congratulating in advance the new CPC Standing Committee for making new and greater contributions in line with the missions and tasks set forth by the 14th CPC Congress, to speed up Liaoning's pace of reform and opening, promote the development of a democratic legal system, and push Liaoning's economic development and all causes to new heights in the 1990's!

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